

ANNUAL BUDGET OF
UMSOBOMVU
MUNICIPALITY

2014/15 TO 2016/17

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

The Honourable Chief Whip, Cllr. Mdala
Councilors of Umsobomvu Municipality
Leaders of the Opposition Parties
Leaders of All Political Parties
The Municipal Manager and Officials
Honourable Guests
Ladies and Gentlemen

It is my pleasure to be able to submit to you the third Revised Integrated Development Plan for years (2012-2017) as well as the Medium Term Revenue and Expenditure framework (MTREF) for 2015 -2017 through for the Umsobomvu Municipal council.

We are fresh from the National and Provincial Government Elections where there was a general resonance that there is a good story to tell and Umsobomvu Municipality is not exempted from this wonderful good story.

As we are marching forward in bettering the lives of the people we must equally be mindful of the economic environment in which we as Umsobomvu Municipality function is not easy considering our high rate of unemployment, poverty, inequality and poor revenue base made worse, over the past few years, by the downturn in the economy caused by the world economic recession resulting in such negative economic contributors as sky rocketing fuel and food prices.

In the light of these factors over which we have little or no control we are faced as a municipality with a daunting task and the challenge of the following:

- A huge backlogs in service delivery,
- The socio-economic problems of high unemployment and poverty levels.

- The effectiveness of the governance systems is being assessed and staff within the institution must work in an integrated and focussed manner driven by the IDP.
- We are striving that Umsobomvu Municipality becomes an employer of choice that capacitates both the councillors and staff.

Community services:

- The areas I wish to highlight within the community services department relate to revenue enhancement and solid waste sites.
- The solid waste site and its completion in all areas remain a priority and we will continue in the new financial year to access and allocate funds to this critical area within community services.

Infrastructure:

- The focus of MIG funding will be to ensure that projects are identified within community and infrastructure to ensure the maximum impact on our community.
- The emphasis will be on finalising our road projects and continuing on the electrification of our townships.
- The bulk of the MIG and RBIG funding is still committed to water projects in all three towns.
- A major project on roads in Kuyasa will also start in the new financial year

We have allocated R 39 million toward infrastructure, economic and environmental services

Finance:

- The process is ongoing to ensure credible data that forms the basis of our financial reporting and to this end we will ensure that the Abakus system is implemented and used as a management tool.
- As a municipality we are grant dependant and to this end it is necessary to develop a plan for revenue enhancement to reduce our dependence and improve our financial viability. Hence one of the projects under financial viability is the development of a revenue enhancement project continuously.

Capital budget:

Grant funding:	R39 million
Own funds:	R1,550million
Total capital expenditure:	R40,550million

I hereby table the Medium term Revenue and Expenditure Framework for 2015 through 2017 for adoption by the Umsobomvu Local Council as per the resolutions below:

.....

CLLR NL HERMANS

MAYOR



4. To give proper effect to the municipality's annual budget, the Council of Umsobomvu Municipality Local Municipality approves:
- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R.393 million or 1.8 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2014/2015 MTREF.

The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/2015 MTREF process; and
- Availability of affordable capital/borrowing.

Total operating revenue has remained the same for the 2014/2015 financial year when compared to the 2013/14 Adjustments Budget mainly due to operational grants received for special projects that was received in the 2013/2014 financial year. For the two outer years, operational revenue will increase by 7.18 and 3.56 per cent respectively, equating to a total revenue growth of R11,645 million over the MTREF when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/2015 financial year has been appropriated at R126.029 million and translates into a budgeted deficit of R 24.728 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has decreased by 2.5 per cent in the 2014/2015 budget and increased by 5.69 and 3.32 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years decreases to R24.616 and R25.993 respectively. These deficits are non-cash related and are due to the council providing for infrastructure impairment and depreciation.

The capital budget of R43.091 million for 2014/2015 is 33.28 per cent less when compared to the 2013/14 Adjustment Budget. The decrease is a result of some projects being completed and some close to completion. The capital programme decreases to R43.091 million in the 2014/15 financial year and then increases by 6.18 per cent in 2015/16 to R 45.753 million. All capital over the MTREF will be financed by Grants from National and own revenue.

Note that the Municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has remained the same and will continue over the next five years due to new loans taken up in the past year, as a result of the need to replace specialised vehicles needed to meet the increased demand in services to be delivered. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Umsobomvu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);

Table 3 Percentage Growth in Revenue

Description	Current Year 2013/14			2014/15 medium Term Revenue & Expenditure Framework			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	% Increase/Decrease	Budget Year +1 2015/16	Budget Year +2 2016/17
Property Rates	4,445,640.00	4,746,080.00	4,746,080.00	5,030,845.00	6.00	5,332,695.00	5,652,658.00
Property Rates-Penalties & Collection Charges	159,000.00	159,000.00	159,000.00	168,540.00	6.00	178,652.00	189,372.00
Service Charges - Electricity Revenue	21,060,000.00	25,757,700.00	25,757,700.00	27,752,812.00	7.75	29,696,442.00	31,997,350.00
Service Charges - Water Revenue	9,180,000.00	9,180,000.00	9,180,000.00	9,931,254.00	8.18	10,527,129.00	11,158,757.00
Service Charges- Sanitation Revenue	6,804,423.36	6,935,000.00	6,935,000.00	7,417,821.00	6.96	7,862,831.00	8,334,541.00
Service Charges Refuse Revenue	5,198,060.00	5,422,052.00	5,422,052.00	5,725,794.00	5.60	6,069,341.00	6,433,502.00
Rental of Facilities and Equipment	307,630.00	374,694.40	374,694.40	395,540.00	5.56	417,636.00	441,058.00
Interest Earned - External Investment	21,500.00	512,000.00	512,000.00	312,000.00	(39.06)	312,000.00	312,000.00
Interest Earned - Outstanding Debtors	1,328,300.00	1,325,000.00	1,325,000.00	1,426,994.00	7.70	1,517,492.00	1,742,019.00
Fines	12,600.00	1,500,000.00	1,500,000.00	1,575,000.00	5.00	1,653,750.00	1,736,438.00
Licenses and Permits	373,242.34	592,568.16	592,568.16	710,282.00	19.87	745,681.00	782,850.00
Agency Services	84,000.00	84,000.00	84,000.00	-	(100.00)	-	-
Transfers Recognised- Operational	35,116,500.00	39,929,500.00	39,929,500.00	35,664,400.00	(8.18)	40,073,950.00	41,374,200.00
Other Revenue	4,288,850.00	4,288,850.00	4,288,850.00	4,189,588.60	(2.31)	4,193,869.51	2,296,607.29
Total Revenue (Excluding Capital Transfers and Contributions)	88,379,746.10	100,806,444.56	100,806,444.56	101,300,870.60	0.49	108,581,468.51	112,451,352.29

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than half of the total revenue mix. In the 2013/14 financial year, revenue from rates and services

Umsobomvu Municipality 2014/15 Annual Budget and MTRF

INC072 Umsobomvu - Supporting Table SA18 Transfers and grant receipts									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	25,707	28,335	31,619	34,402	34,152	34,152	35,673	36,389	39,417
Equitable share	23,637	26,095	29,319	30,664	30,664	30,664	32,382	34,906	35,718
FINANCE MANAGEMENT	1,215	1,460	1,500	1,650	1,650	1,650	1,800	1,950	2,100
MSIG	750	790	800	890	890	890	934	967	1,018
MIG ADMIN - PMU	--	--	--	678	678	878	557	568	581
Energy Efficiency and Demand Management	105	--	--	500	250	250	--	--	--
SUBSIDY STATE	--	--	--	--	--	--	--	--	--
Other transfers and grants [Insert description]	--	--	--	--	--	--	--	--	--
Provincial Government:	359	522	715	715	708	708	991	1,665	1,967
OEPT ART & CULTURE (LIBRARY)	359	522	715	715	708	708	991	1,665	1,967
YOUTH PROGRAMS	--	--	--	--	--	--	--	--	--
IMMUNISATION GRANT	--	--	--	--	--	--	--	--	--
Other transfers and grants [Insert description]	--	--	--	--	--	--	--	--	--
District Municipality:	--	--	--	--	--	--	--	--	--
DISTRICT MUNICIPALITY	--	--	--	--	--	--	--	--	--
Other transfers and grants [Insert description]	--	--	--	--	--	--	--	--	--
Other grant providers:	--	--	--	--	3,600	3,600	--	--	--
IEC INFRASTRUCTURE	--	--	--	--	3,600	3,600	--	--	--
Other transfers and grants [Insert description]	--	--	--	--	--	--	--	--	--
Total Operating Transfers and Grants	26,066	26,657	32,334	35,117	38,460	36,460	36,664	40,074	41,374
Capital Transfers and Grants									
National Government:	1,620	45,492	51,921	55,973	47,473	47,473	43,091	45,753	32,043
RBIG - DWAF	--	37,869	28,350	35,000	31,000	31,000	30,000	30,000	18,000
HOUSING PROJECTS	1,620	1,664	--	--	--	--	--	--	--
EEDG	--	69	5,000	4,500	--	--	--	--	--
MIG - CAPITAL	--	3,584	14,271	12,873	12,873	12,873	10,591	10,753	11,043
INEP	--	2,316	3,300	2,600	2,600	2,600	1,800	5,000	3,000
EPWP	--	--	1,000	1,000	1,000	1,000	1,000	--	--
Provincial Government:	2,804	298	--	2,500	--	--	--	--	--
DISASTER	--	--	--	--	--	--	--	--	--
OEPT OF SAFETY	2,804	298	--	2,500	--	--	--	--	--
EPWP	--	--	--	--	--	--	--	--	--
District Municipality:	--	--	--	--	--	--	--	--	--
DISTRICT MUNICIPALITY	--	--	--	--	--	--	--	--	--
Other grant providers:	--	--	--	--	--	2,600	--	--	--
Kgetso Pula Nala	--	--	--	--	--	2,600	--	--	--
Total Capital Transfers and Grants	4,424	45,790	51,921	58,473	47,473	50,073	43,091	45,753	32,043
TOTAL RECEIPTS OF TRANSFERS & GRANTS	30,490	74,647	84,255	93,590	85,932	86,532	79,755	85,827	73,417

May 2014

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- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/2015 financial year based on a 6 per cent increase from 1 July 2014 is contained below:

Table 5 Comparison of Proposed Rates

Category	Current Tariff (1 July 2013)	Proposed Tariff (From 1 July 2014)
Residential Properties	0.011573	0.010879
State Owned Properties	0.01866	0.017541
Business & Commercial	0.0129267	0.012869
Agricultural	0.00273	0.002720

Table 6 Proposed Water Tariffs

Category	Current Tariffs 2013/14 Rand per kl	Proposed Tariffs 2014/15 Rand per kl	Percentage Change
Residential			
(i) 0 to 6 kl per 30-day period	R4.17	R4.44	6.5%
(ii) 7 to 20 kl per 30-day period	R5.03	R5.36	6.5%
(iii) 21- 30kl per 20-day period	R6.47	R6.89	6.5%
(iv) 30+	R8.54	R9.09	6.5%
Non Residential			
(i) 0-60kl per 30-day period	6.12	6.52	6.5%
(ii) 61kl per 30-day period	8.22	8.76	6.5%

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

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The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 8 Comparison Between Current Electricity Charges And Increases (Domestic)

Monthly Consumption Kwh	Current Amount Payable R	Proposed Amount Payable R	Difference Increase R	Percentage Change %
100	R78.04	R 83.62	R5.58	7%
250	R206.83	R 221.62	R14.79	7%
500	R485.05	R 518.98	R33.93	7%
750	R810.79	R 867.89	R57.10	7%
1000	R1155.79	R 1,237.89	R82.10	7%
2000	R2535.79	R 2,717.89	R182.10	7%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof has been that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality is implementing the stepped tariff structure according to NERSA's proposal.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2015/2016 and

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Table 9 Comparison Between Current Sanitation Charges And Increases

Description	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
		Budget Year 2014/15	Budget Year + 1 2015/16	Budget Year + 2 2016/17
Waste Water Tariffs				
Basic Charge/Fixed Fee (Rands/Month)	85.02	92.68	98.2408	104.135248
Service Point-Vacant Land (Rand/Month)	49.07	53.49	56.6994	60.101364
Conservancy Tank Household (1 Service per Month)	63.68	69.41	73.5746	77.989076
Conservancy Tank Household (Additional Service per Month) : Payable in Advance	67.50	73.58	77.9948	82.674488
Conservancy Tank Schools per Load	93.36	101.76	107.8656	114.337536
Conservancy Tank Businesses per Load With Minimum of 1 Load per Month	93.36	101.76	107.8656	114.337536
Night soil Removal (Per Bucket per Month)	46.31	50.48	53.5088	56.719328
Night Soil Rondawel (Per Bucket per Month)	32.66	35.6	37.736	40.00016
Meatlands Industrial Effluent per Month				
Meatlands Sewerage Same As Business Tariffs				
Meatlands Dumping Charges Of Blood And Dung per Month	727.77	793.26	840.8556	891.306936
Sewerage Household/Colesberg High School/ per Month	85.02	92.68	98.2408	104.135248
Sewerage Prison per Point per Month	285.91	311.65	330.349	350.16994
Sewerage Garages and State per Point per Month	172.07	187.56	198.8136	210.742416
Sewerage Hospital per Point per Month	305.94	333.48	353.4888	374.698128
Sewerage Business Normal	110.21	120.13	127.3378	134.978068
Sewerage Business With Minimum of 2 Points per Month	170.05	185.36	196.4816	208.270496
Sewerage Business Additional Connection	40.93	44.62	47.2972	50.135032
Sewerage Availability per Month	49.07	53.49	56.6994	60.101364
Meatlands per Sheep (Effluent)	0.70	0.76	0.8056	0.853936

The following table compares current and proposed amounts payable from 1 July 2014:

Table 11 Comparison Between Current Waste Removal Fees and Increases (Domestic)

	Current Tariffs 2013/2014		Proposed Tariffs 2014/2015		Difference (Increase) R	% Increase
	Waste Removal	Municipal Cleaning	Waste Removal	Municipal Cleaning		
Domestic- Monthly	R61.23		R66.74		R5.51	9%
Additional Bin Per Month	R20.86		R22.73		R1.87	9%
Business	R88.16		R96.09		R7.93	9%
Garden Refuse Households	R6.17		R6.72		R0.55	9%

1.4.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.4 and 7.6 per cent and 7.6 per cent for indigents.

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1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/2015 budget and MTREF (classified per main type of operating expenditure):

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 85 per cent and the Debt Write-off Policy of the Municipality. For the 2014/2015 financial year this amount equates to R5.238 million and escalates to R5.565 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.24 per cent (R.296 million) of operating expenditure excluding annual redemption for 2014/2015. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it decreases to 0.19 and 0.17 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. In the 2014/2015 it has decreased by 23.06 per cent and increased and decreased by 3.93 and 1.68 per cent respectively in the outer years.

The following table gives a breakdown of the main expenditure categories for the 2014/2015 financial year.

During the compilation of the 2014/2015 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 13.94 per cent in the 2014/2015 financial year, from R2.167 million to R2.469 million. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/2015 equates to R2.469 million a growth of 13.94 per cent in relation to the Adjustment Budget and continues to grow at 3.32 and remain constant there over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 1.96 per cent for the respective financial years of the MTREF. This is mainly due to bulk electricity purchases that continually exceed growth in other expenditure items.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 4 Repairs and maintenance per asset class

For the 2014/2015 financial year, 41.88 per cent or R1.034 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 60.06 per cent (R.621million), followed by water infrastructure at 32.59 per cent (R.337 million), sanitation at 4.83 per cent (R.050 million) and roads at 2.52 per cent (R.026 million). Community assets have been allocated R.199 million of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3782 or more indigent households during the 2014/2015 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 16 MBRR A10 (Basic Service Delivery Measurement) on page 54.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

For 2014/2015 an amount of R 40.550 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R45 million, 100 per cent and R32 million, 100 per cent respectively for each of the financial years. Water services receives the highest allocation of R 31.500 million in 2014/2015 which equates to 77.68 per cent followed by roads infrastructure at 14.8 per cent, R6 million.

Total new assets represent 100 per cent or R 40.550 million of the total capital budgets. Further detail relating to asset classes and proposed capital expenditure is contained in Table 15 MBRR A9 (Asset Management) on page 50. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Electricity for all (backlog eradication) – R1.5 million;
- Bulk supply and backlog eradication of water – R8. million;
- Backlog eradication of roads – R6 million;

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in the MTREF expenditure. This concomitant operational expenditure is expected to escalate to R2 million by 2016/17. It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/2015 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 6 MBRR Table A1 - Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2014/15 the water backlog will have been eliminated.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 4 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water, Waste water and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 9 Surplus/(Deficit) calculations for the trading services

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		Full Year Forecast	2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget		Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
ELECTRICITY - Revenue	12 942	17 620	19 933	20 466	25 080	25 080	29 285	30 421	31 295
ELECTRICITY - Expenditure	(11 979)	(13 337)	(18 043)	(18 674)	(21 004)	(21 004)	(22 161)	(23 637)	(25 226)
% Surplus(Deficit)	(26.437)	(71.77)	1 890	1 592	4 076	4 076	7 124	6 784	6 069
	-219.73	-4.07	9.48	7.78	16.25	16.25	24.33	22.30	19.39
WATER - Revenue	7 344	32 550	38 559	9 259	9 665	9 665	58 812	51 865	52 821
4.5 - WATER Expenditure	35 870	7 021	19 564	7 499	19 146	19 146	19 301	19 711	20 151
6.6 - WATER TREATMENT WORKS							500	500	562
% Surplus(Deficit)	-388.42	78.43	49.26	19.01	-98.08	-98.08	66.33	60.97	60.79

- Although there is a 10% increase from the 2013/2014 adjustment due to more efficient billing the electricity trading surplus is deteriorating over the 2014/15 MTREF from 24.3 per cent or R7 million in 2013/14 to 19 per cent or R6 million by 2015/16. This is

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NC072 Umsobomvu - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source									
Property rates	3,612	4,146	4,735	4,446	4,746	4,746	5,031	5,333	5,653
Property rates - penalties & collection charges	559	285	165	159	159	159	189	179	189
Service charges - electricity revenue	13,963	18,680	20,205	21,060	25,756	25,756	27,753	29,898	31,997
Service charges - water revenue	7,351	8,117	9,696	9,180	9,180	9,180	9,931	10,527	11,159
Service charges - sanitation revenue	4,835	5,506	6,143	6,804	6,935	6,935	7,418	7,863	8,335
Service charges - refuse revenue	3,929	4,478	4,934	5,198	5,422	5,422	5,726	6,069	6,434
Service charges - other	-	270	(4)	-	-	-	-	-	-
Rental of facilities and equipment	406	379	413	306	375	375	396	418	441
Interest earned - external investments	56	419	914	22	512	512	312	312	312
Interest earned - outstanding debtors	1,256	1,431	1,513	1,328	1,325	1,325	1,427	1,517	1,742
Dividends received	-	-	-	-	-	-	-	-	-
Fines	1,313	5,365	1,392	13	1,500	1,500	1,575	1,654	1,738
Licences and permits	373	435	473	373	593	593	710	746	763
Agency services	-	-	-	84	84	84	-	-	-
Transfers recognised - operational	28,450	28,857	45,252	35,117	39,930	39,930	38,684	40,074	41,374
Other revenue	4,140	6,948	10,067	4,289	4,289	4,289	4,190	4,184	2,297
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	66,447	83,318	106,189	88,380	100,806	100,806	101,301	108,561	112,451
Expenditure By Type									
Employee related costs	25,041	27,209	30,143	34,820	34,610	34,610	39,057	42,976	46,730
Remuneration of councillors	2,218	2,413	2,466	2,804	3,039	3,039	2,945	3,092	3,249
Debt impairment	8,008	2,021	6,907	4,393	4,849	4,849	5,236	5,565	5,915
Depreciation & asset impairment	28,721	26,039	26,037	27,567	27,588	27,588	23,634	23,848	23,849
Finance charges	203	127	127	364	342	342	266	248	226
Bulk purchases	11,011	14,101	15,756	16,726	17,310	17,310	16,670	20,139	21,725
Other materials	-	-	-	-	-	-	-	-	-
Contracted services	4,405	3,590	2,465	672	872	872	4,562	4,772	3,817
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	20,802	27,035	42,439	29,530	40,843	40,843	31,426	32,650	32,111
Loss on disposal of PPE	-	407	78	1	1	1	1	1	1
Total Expenditure	98,508	104,942	128,458	116,696	129,254	129,254	126,029	133,197	137,621
Surplus/(Deficit)	(28,061)	(21,624)	(22,270)	(28,319)	(28,448)	(28,448)	(24,728)	(24,615)	(25,170)
Transfers recognised - capital	30,985	46,376	40,621	59,150	64,565	64,565	43,091	45,753	34,343
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173

May 2014

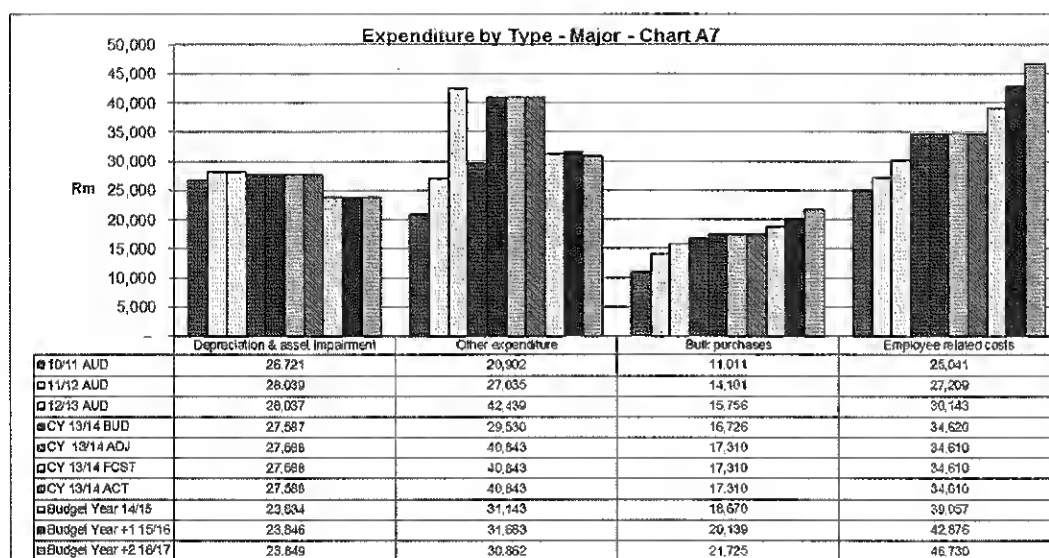


Figure 3 Expenditure by major type

6. Bulk purchases have significantly increased over the 2010/2011 to 2016/17 period escalating from R11.011 million to R21.725 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from DWAF.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R9.050 million for the 2014/2015 financial year and remains relatively constant in the 2015/2016 financial year and increases to R 32 million in the 2016/2017 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers. For 2014/2015, capital transfers totals R40.550 million (100 per cent) and R45million by 2015/16 (100 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 12 MBRR Table A6 - Budgeted Financial Position



Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.



Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality has been moving up and down over the 2010/11 to 2016/17 period as it can be noted from the decrease of R 23.941 million.
4. The approved 2014/2015 MTREF provide for a net increase in cash of R13.480 million for the 2015/16 financial year resulting in an overall projected positive cash position of R8.707 million at year end.
5. As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors. These interventions translated into an expected net cash position of R13.712 million for the 2013/14 financial year and cash and cash equivalents totaled R39.308 million at year end.
7. The 2014/2015 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R19.168 million as at the end of the 2014/2015 financial year and declines to R8.707 million by 2016/17.

7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/2014 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively increase from R32.9 million to R46 million by 2016/17.

Table 15 MBRR Table A9 - Asset Management

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Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations as the focus of resources is on new Basic service infrastructure and repair and maintenance amounts to ,48 per cent.

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Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Sanitation (free minimum level service)	2,297	2,547	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Electricity/other energy (50kwh per household per month)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Refuse (removed at least once a week)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	175	189	2,078	636	636	636	674	714	755
Sanitation (free sanitation service)	192	202	2,137	3,603	3,603	3,603	3,928	4,163	4,399
Electricity/other energy (50kwh per household per month)	131	163	1,397	1,494	1,494	1,494	1,814	1,743	1,872
Refuse (removed once a week)	150	156	2,171	2,595	2,595	2,595	2,751	2,916	3,081
Total cost of FBS provided (minimum social package)	648	710	7,783	8,329	8,329	8,329	8,967	9,537	10,107
Highest level of free service provided									
Property rates (R value threshold)	82,274	90,024	109,620	130,684	130,684	130,684	139,934	149,184	149,184
Water (kilolitres per household per month)	6	6	6	6	6	6	6		
Sanitation (kilolitres per household per month)	1	1	1						
Sanitation (Rand per household per month)	68	72	60	91	91	91	99	105	105
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	1	1	1	200	200	200	200	200	200
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	650	655	660	700	700	700	742	786	786
Property rates (other exemptions, reductions and rebates)									
Water	175	189	38	40	40	40	42	45	45
Sanitation	192	202	38	40	40	40	42	45	45
Electricity/other energy	131	163	38	40	40	40	42	45	45
Refuse	150	156	38	40	40	40	42	45	45
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	1,298	1,365	810	859	859	859	910	965	965

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Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 27 August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/2014 MTREF;
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2012/13 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/2015 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
 - Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
 - The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/2015 MTREF as tabled before Council on 31 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs..

- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/2015 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 17 IDP Strategic Objectives

2012/13 Financial Year	2013/2014 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Umsobomvu principles through a caring, accessible and accountable service	4. Foster participatory democracy and Umsobomvu principles through a caring, accessible and accountable service
5. Good governance, Financial viability and Institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

2

5.2 Ensure financial sustainability through:

- o Reviewing the use of contracted services
- o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;

Table 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

NC072 Umsobomvu - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)											
Strategic Objective	Goal	Goal Code	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Basic Services	Provision & maintenance of infrastructure & basic	1	25,401	59,887	103,893	104,047	115,750	115,750	95,948	102,037	92,335
	PUBLIC WORKS	1	25	53	743	3,560	6,180	6,180	1,060	80	80
	WORKSHOP	5									
	HOUSING SERVICES	5		1,620	1						
	WATER TREATMENT	6		14,974							
	WATER	1	7,344	19,647	45,269	58,812	62,922	62,922	51,499	52,281	41,383
	SEWERAGE	1	4,821	5,062	15,933	7,029	7,188	7,188	7,662	8,122	8,609
	WASTE WATER	3									
	SOLID WASTE	3	3,960	4,116	5,173	5,359	5,862	5,862	5,868	8,250	6,025
	ELECTRICITY	4	9,250	14,406	36,776	29,286	33,840	33,840	28,831	35,315	35,659
	REFUSE DUMP	2		7							
		4									
Municipal Institutional Development and	Social Services		5,659	9,835	7,911	6,119	11,787	11,787	8,898	10,041	10,790
	PARKS & RECREATION	2			5						
	TRAFFIC SERVICES	13	1,931	2,077	1,878	468	2,174	2,174	2,283	2,387	2,517
	MUSEUM	12		6	3	2	3	3	2	2	2
	LIBRARIES	8		361	717	715	708	708	991	1,085	1,067
	CEMETERIES	9		26	21	21	3,621	3,621	22	23	25
	PROPERTY SERVICES	15		2,994	495	309	376	376	399	423	448
	ASSESSMENT RATES	8	3,729	4,371	4,793	4,605	4,905	4,905	5,189	5,511	5,842
		17									
Local Economic Development	Tourism				(9)	1			1	1	1
	LED AND IDP	3			(9)	1			1	1	1
		7									
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure		19,549	6,061	5,665	6,662	7,152	7,152	7,146	7,329	7,928
	FINANCE	17	19,549	6,061	5,665	6,662	7,152	7,152	7,146	7,329	7,928
Good Governance and Public Participation	Council		22,676	23,655	29,341	30,702	30,702	30,702	32,401	34,928	35,739
	MAYOR										
	COUNCIL EXPENSES	17	18,948	23,637	29,318	30,684	30,684	30,684	32,382	34,906	35,718
	MUNICIPAL MANAGER	17									
	CORPORATE SERVICE	17	3,728	18	22	18	18	18	19	20	21
		16									
Allocations to other priorities											
Total Revenue (excluding capital transfers and contributions)			73,285	99,439	146,810	147,530	165,391	165,391	144,391	154,337	146,794

Table 20 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP Strategic Objectives and Budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand												
Basic Services	Provision & maintenance of Infrastructure & basic	1	27,496	44,002	42,630	69,467	56,639	—	39,000	45,000	32,000	
	PUBLIC WORKS	1	—	13,580	393	4,500	6,729	—	6,000	5,000	—	
	WORKSHOP	5	—	—	—	—	—	—	—	—	—	
	HOUSING SERVICES	5	—	—	—	—	—	—	—	—	—	
	WATER TREATMENT	6	—	—	—	—	—	—	—	—	—	
	WATER	1	63	30,050	28,870	57,867	43,068	—	31,500	36,000	29,000	
	SEWERAGE	1	—	—	10,242	—	—	—	—	—	—	
	WASTE WATER	3	—	—	—	—	1,508	—	—	—	—	
	SOLID WASTE	3	—	—	—	—	—	—	—	—	—	
	ELECTRICITY	4	27,432	163	3,126	7,100	3,353	—	1,500	5,000	3,000	
	REFUSE DUPM	2	—	218	—	—	—	—	—	—	—	
		4	—	—	—	—	—	—	—	—	—	
	Municipal Institutional Development and	Social Services	23	—	365	—	—	153	—	—	—	—
		PARKS & RECREATION	2	—	—	—	—	—	—	—	—	—
TRAFFIC SERVICES		13	23	—	—	—	163	—	—	—	—	
MUSEUM		12	—	—	—	—	—	—	—	—	—	
LIBRARIES		6	—	—	—	—	—	—	—	—	—	
CEMETERIES		9	—	—	—	—	—	—	—	—	—	
PROPERTY SERVICES		15	—	365	—	—	—	—	—	—	—	
ASSESSMENT RATES		8	—	—	—	—	—	—	—	—	—	
		17	—	—	—	—	—	—	—	—	—	
Local Economic Development		Tourism	—	—	—	—	—	—	—	—	—	—
	LED AND IDP	3	—	—	—	—	—	—	—	—	—	
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the FINANCE	17	—	157	—	1,650	—	—	1,550	—	—	
		17	—	117	—	1,550	—	—	1,650	—	—	
Good Governance and Public Participation	Council	—	—	476	—	—	—	—	—	—	—	
	MAYOR	—	—	476	—	—	—	—	—	—	—	
	COUNCIL EXPENSES	17	—	—	—	—	—	—	—	—	—	
	MUNICIPAL MANAGER	17	—	—	—	—	—	—	—	—	—	
	CORPORATE SERVICE	17	—	—	—	—	—	—	—	—	—	
Allocations to other priorities			—	—	—	—	—	—	—	—	—	
Total Capital Expenditure			27,518	44,960	42,630	71,917	56,792	—	40,550	45,000	32,000	

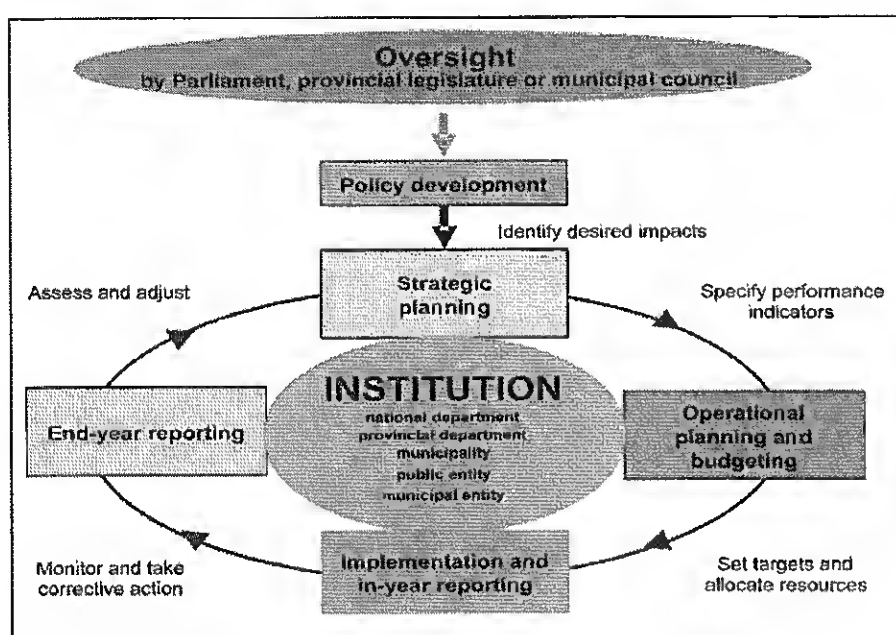


Figure 4 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

2

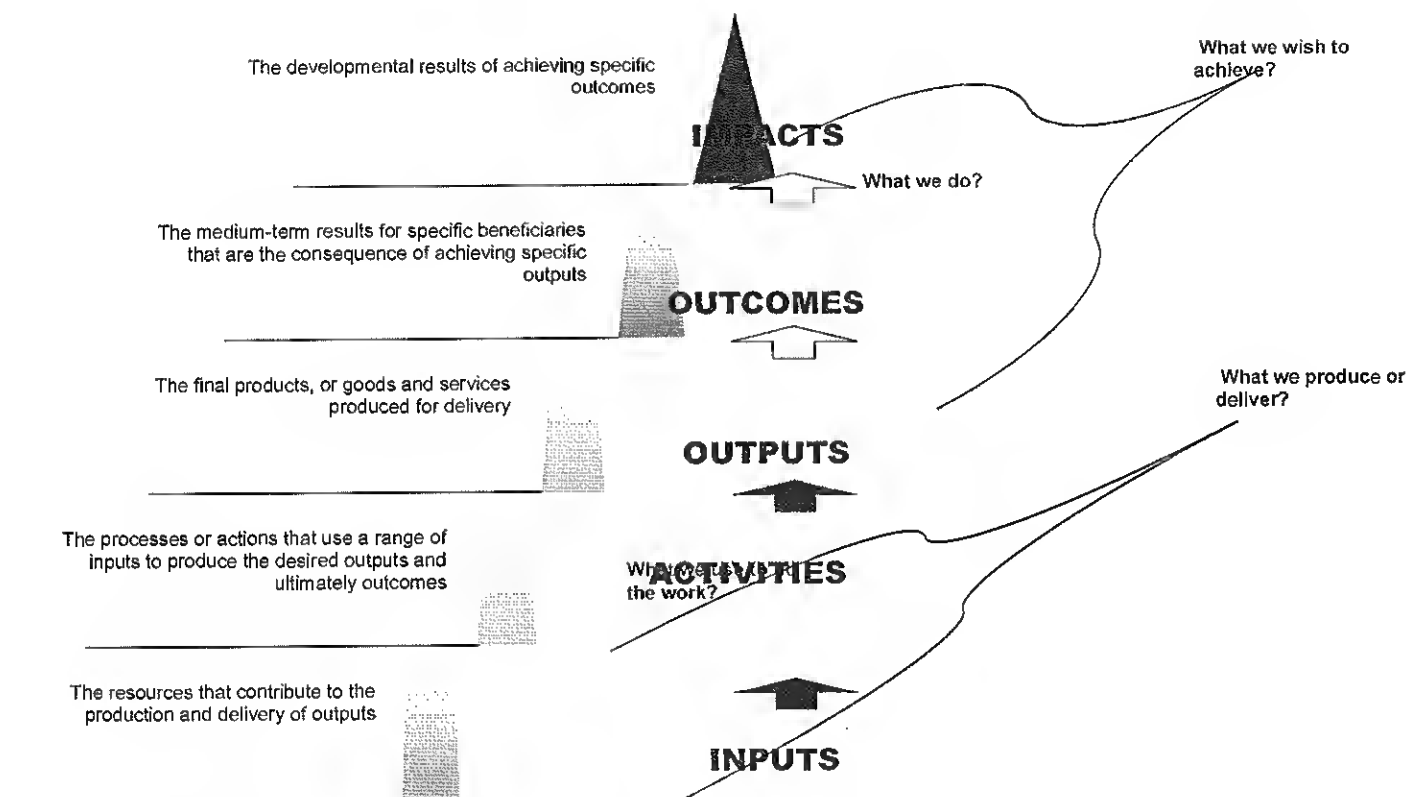


Figure 5 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Umsobomvu Municipality 2014/15 Annual Budget and MTREF

Corporate Services										
Corporate Services										
Sub-function 1 - (name)										
Reaching of employment equity targets	% Target reached as per			90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Targeted skills development	The % of budget spent on			90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effective labour relations	No of LRF meetings			4	4	4	4	4	4	4
Effective and update HR policies	Revision of all HR	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Local Economic Development										
Reviewed IDP	IDP reviewed annually	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Enhancement of economic development	Value of contracts signed				1000.0%	1000.0%	1000.0%	1000.0%	1000.0%	1000.0%
Employment through job creation initiatives	No of temporary jobs				1000.0%	1000.0%	1000.0%	1000.0%	1000.0%	1000.0%
Community Services										
Maintenance of halls and facilities	% of maintenance budget				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Technical Services										
Roads and Stormwater										
Sub-function 1 - (name)										
Improvement in conditional capital spending	% of conditional capital			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of municipal roads	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of municipal roads (Reseal)	Kilometres of roads			2	2	2	2	2	2	2
Maintenance of refuse removal services	% of maintenance budget on refuse removal spent			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of sanitation services	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of water assets	% of maintenance budget on water services spent			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New water connections	No of new water connections			100	100	100	100	100	100	100
Replacement of existing water meters	No of meters replaced			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of electricity network	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New electricity connections	No of new electricity			100	100	100	100	100	100	100
Replacement of existing electricity meters	No of electricity meters			20	10	10	10	10	10	10
Maintenance of stormwater services	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Insert measure's description										
Entity 3 - (name of entity)										
Effective functioning of MPAC										
And so on for the rest of the Entities										

2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Umsobomvu Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the municipality has no borrowing cost in 2014/2015 and in 2015/16. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is zero per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2012 and 2017. Debt service costs are expected to peak in 2017 due to the redemption of the last few term loans held by the Municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/2015 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/2015 financial year 3532 registered indigents have been provided for in the budget with this figure increasing to 4032 by 2015/16. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, sanitation and free waste removal equivalent to removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 16 MBRR A10 (Basic Service Delivery Measurement) on page 54.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The total water supply of is extracted and treated by the municipality, from rivers and boreholes.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2013. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget Policy was approved by Council in JULY 2012 and was amended on 16 February 2014 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2014. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Domestically, after five years of strong growth, during which about 400 jobs were created, our economy shrank by an estimated 1.8 per cent last. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2014 will be .7 per cent rising to .8 per cent by 2016.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/2015 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 38 per cent of total operating expenditure in the 2013/2014 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Credit rating outlook

No credit rating have been done by the Municipality

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for Umsobomvu Municipality in the 2014/2015 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/2015 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/2015 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the Operating Revenue over the Medium-term

Description R Thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14	%	Budget Year + 1 2014/15	%	Budget Year+2 2015/16	Budget Year+2 2015/16
Property Rates	4,746,080	6.0	5,030,845.00	6.0	5,332,695.00	5,652,658.00
Service Charges	47,294,752	7.5	50,827,681.00	6.5	54,155,743.00	57,924,150.00
Investment Revenue	512,000	(39.1)	312,000.00	-	312,000.00	312,000.00
Transfers Recognised - Operational	39,929,500	(8.9)	36,381,400.00	7.5	39,096,950.00	40,125,200.00
Other Own Revenue	4,288,850	(2.3)	4,189,588.60	0.1	4,193,869.51	2,296,607.29
Total Operating Revenue (Excluding Capital Transfers And Contributions)	100,806,445	0.2	101,017,870.60	6.5	107,604,468.51	111,202,352.29
Total operating Expenditure	129,254,214	(2.7)	125,745,783.63	5.1	132,220,212.56	136,372,089.39
Surplus / Deficit	(28,447,769.30)	(13.1)	(24,727,913.34)	(0.5)	(24,615,745.14)	(25,169,737.10)

- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 33 Proposed Tariff Increase Over The Medium-term

Revenue Category	2014/15 Proposed Tariff Increase	2015/16 Proposed Tariff Increase	2016/17 Proposed Tariff Increase	2014/15 Additional Revenue for Each 1% Tariff Increase	2015/16 Additional Revenue Owing To 1% Tariff Increase	2014/15 Total Budgeted Revenue
	%	%	%	R'000	R'000	R
Property Rates	6 %	6 %	6 %	R 47.50	R 50.33	R 53.33
Sanitation	9 %	6 %	6 %	R 53.67	R 74.17	R 78.67
Solid Waste	6 %	6 %	6 %	R 14.67	R 55.16	R 58.33
Water	6.5 %	6 %	6 %	R 125.17	R 99.33	R 105.33
Electricity	7 %	7 %	7 %	R 285	R 277.57	R 328.71
Total						

a

Table 23 MBRR SA15 – Detail Investment Information

NC072 Umsobomvu - Supporting Table SA15 Investment particulars by type

Investment type	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank				12,000	12,000	12,000	6,000	6,000	6,000
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
Municipality sub-total	-	-	-	12,000	12,000	12,000	6,000	6,000	6,000
Entities									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank									
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Entities sub-total	-	-	-	-	-	-	-	-	-
Consolidated total:	-	-	-	12,000	12,000	12,000	6,000	6,000	6,000

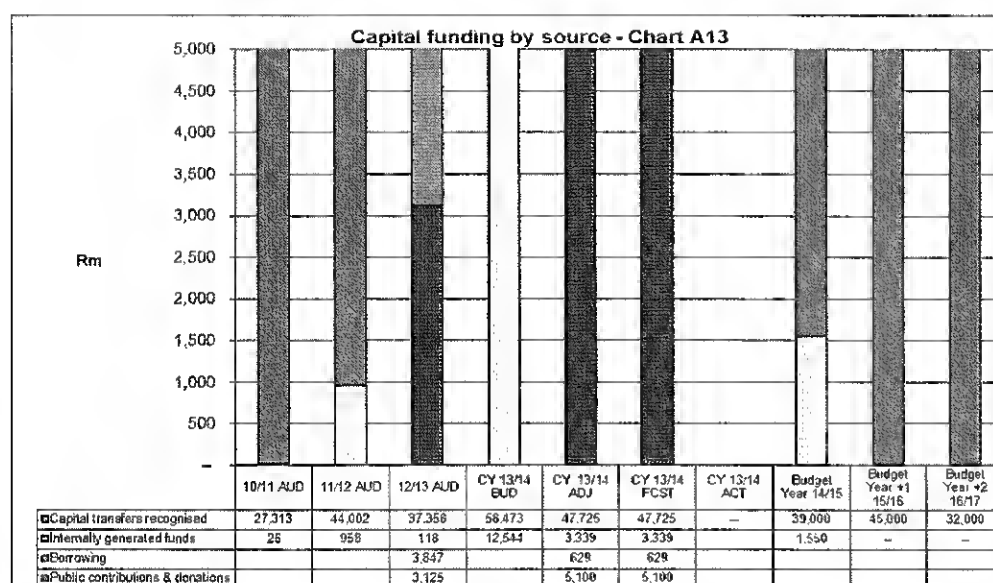


Figure 7 Sources of capital revenue for the 2013/14 financial year

Capital grants and receipts equates to 96.18 per cent of the total funding source which represents R40.550 million for the 2014/15 financial year and steadily increases to R45.000 million or 100 per cent by 2014/15. Capital grants are decreasing 28.89 per cent over the medium-term.

Borrowing still remains an insignificant funding source for the capital programme over the medium-term. As explained earlier, the borrowing capacity of the Municipality has essentially reached its limits and going forward borrowing limits will remain constant.

The following table is a detailed analysis of the Municipality's borrowing liability.

Table 27 MBRR Table SA 18 - Capital transfers and grant receipts

NC072 Umsobomvu - Supporting Table SA18 Transfers and grant receipts									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	25,707	28,335	31,619	34,402	34,152	34,152	85,673	36,889	39,417
Equitable share	23,837	26,095	28,318	30,684	30,684	30,684	32,382	34,906	36,718
FINANCE MANAGEMENT	1,215	1,450	1,500	1,650	1,650	1,650	1,600	1,950	2,100
MSB	750	750	800	890	890	890	934	967	1,018
MIG ADMIN - PMU	-	-	-	678	578	578	557	566	581
Energy Efficiency and Demand Management	105	-	-	500	250	250	-	-	-
SUBSIDY STATE	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Provincial Government:	359	522	715	715	708	708	991	1,685	1,987
CEPT ART & CULTURE (LIBRARY)	359	522	715	715	708	708	991	1,685	1,987
YOUTH PROGRAMS	-	-	-	-	-	-	-	-	-
IMMUNISATION GRANT	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	3,600	3,600	-	-	-
IEC INFRASTRUCTURE	-	-	-	-	3,600	3,600	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	26,066	28,857	32,334	35,117	36,460	36,460	36,864	40,074	41,374
Capital Transfers and Grants									
National Government:	1,620	45,492	51,921	55,973	47,473	47,473	43,091	45,753	32,043
RBIG - DWAF	-	37,869	28,350	35,000	31,000	31,000	30,000	30,000	18,000
HOUSING PROJECTS	1,620	1,664	-	-	-	-	-	-	-
EEDG	-	59	5,000	4,500	-	-	-	-	-
MIG - CAPITAL	-	3,564	14,271	12,873	12,873	12,873	10,591	10,753	11,043
INEP	-	2,316	3,300	2,600	2,800	2,600	1,500	5,000	3,000
EPWP	-	-	1,000	1,000	1,000	1,000	1,000	-	-
Provincial Government:	2,804	298	-	2,500	-	-	-	-	-
DISASTER	-	-	-	-	-	-	-	-	-
DEPT OF SAFETY	2,804	298	-	2,500	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	2,600	-	-	-
Kgotso Pula Nala	-	-	-	-	-	2,600	-	-	-
Total Capital Transfers and Grants	4,424	45,790	51,921	58,473	47,473	50,073	43,091	45,753	32,043
TOTAL RECEIPTS OF TRANSFERS & GRANTS	30,490	74,647	84,255	93,590	83,933	86,532	79,955	85,827	73,417

Table 28 MBRR Table A7 - Budget cash flow statement

NC072 Umsobomvu - Table A7 Budgeted Cash Flows									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	33,046	80,641	43,972	51,913	51,913	51,913	59,480	66,449	69,781
Government - operating	26,450	28,857	45,863	35,117	39,930	39,930	36,664	40,074	41,374
Government - capital	30,985	46,378	34,315	59,150	64,585	64,585	43,091	45,753	34,343
Interest	1,873	2,136	914	1,350	1,350	1,350	1,739	1,929	2,054
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(64,957)	(81,111)	(82,092)	(84,355)	(81,457)	(81,457)	(98,438)	(94,487)	(127,888)
Finance charges	(203)	(127)	(127)	(364)	(364)	(364)	(354)	(339)	(5,915)
Transfers and Grants	-	-	-	-	-	-	-	-	(3,817)
NET CASH FROM/(USED) OPERATING ACTIVITIES	27,193	76,774	42,846	62,811	75,956	75,956	52,182	59,280	8,932
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	3	-	-	(0)	(0)	(0)	(0)	-
Decrease (Increase) in non-current debtors	6	4	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments	-	-	-	-	-	-	-	-	-
Payments									
Capital assets	(27,339)	(44,960)	(44,448)	(71,017)	(61,792)	(61,792)	(47,898)	(45,000)	(32,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(27,333)	(44,954)	(44,448)	(71,017)	(61,793)	(61,793)	(47,898)	(45,000)	(32,000)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	4,385	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-
Payments									
Repayment of borrowing	(291)	(1,331)	(367)	(452)	(452)	(452)	(728)	(800)	(872)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(291)	(1,331)	4,018	(452)	(452)	(452)	(728)	(800)	(872)
NET INCREASE/ (DECREASE) IN CASH HELD	(431)	30,489	2,415	(8,658)	13,712	13,712	3,556	13,480	(23,941)
Cash/cash equivalents at the year begin:	1,937	1,506	31,995	25,208	25,596	25,596	15,612	19,168	32,648
Cash/cash equivalents at the year end:	1,506	31,995	34,410	16,550	39,308	39,308	19,168	32,648	8,707

Table 29 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC072 Umsobomvu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and Investments available									
Cash/cash equivalents at the year end	1,506	31,995	34,410	16,550	39,308	39,308	19,168	32,648	8,707
Other current investments > 90 days	0	0	0	(4,550)	(27,308)	(27,308)	20,356	(6,608)	7,592
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and investments available:	1,506	31,995	34,410	12,000	12,000	12,000	39,524	26,040	16,300
Application of cash and investments									
Unspent conditional transfers	8,481	29,359	24,002	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-
Other working capital requirements	(9,143)	(23,375)	(6,853)	(23,685)	(20,890)	(20,890)	(26,793)	(27,962)	(27,304)
Other provisions	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	(661)	5,984	17,149	(23,685)	(20,890)	(20,890)	(26,793)	(27,962)	(27,304)
Surplus(shortfall)	2,168	26,011	17,261	35,685	32,890	32,890	66,317	54,002	43,604

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

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ReRA operating										
Equitable share										
FINANCE MANAGEMENT										
MSG										
MIG ADMIN - PMU										
DEPTART & CULTURE (LIBRARY)										
ReRA capital										
RBIG - DWAF										
INEP										
EPWP										
MIG - CAPITAL										
Trend										
Change in outstanding debtors (current and non-current)	9,082	6,020	9,784	(9,784)	4,693	(278)	-	-	-	-
Total Operating Revenue	68,447	83,318	106,189	88,380	100,806	100,806	100,806	100,806	108,810	110,379
Total Operating Expenditure	96,506	104,942	128,458	116,698	129,254	129,254	129,254	129,254	132,220	136,372
Operating Performance Surplus/(Deficit)	(28,059)	(21,624)	(22,270)	(28,319)	(28,448)	(28,448)	(28,448)	(28,448)	(23,410)	(26,093)
Cash and Cash Equivalents (30 June 2013)										
Revenue										
% Increase in Total Operating Revenue		21.7%	27.5%	(10.6%)	14.1%	0.0%	(0.0%)	8.0%	3.3%	
% Increase in Property Rates Revenue		6.7%	14.2%	(8.1%)	8.8%	0.0%	12.8%	9.8%	8.0%	
% Increase in Electricity Revenue		18.5%	21.1%	4.2%	22.3%	0.0%	7.7%	7.0%	7.7%	
% Increase in Property Rates & Services Charges		14.6%	16.2%	2.1%	11.4%	0.0%	6.9%	6.6%	8.9%	
Expenditure										
% Increase in Total Operating Expenditure		8.7%	22.4%	(9.2%)	10.8%	0.0%	(2.7%)	5.1%	3.1%	
% Increase in Employee Costs		8.7%	19.8%	(14.9%)	(0.0%)	0.0%	12.8%	9.8%	8.0%	
Average Cost Per Budgeted Employee Position (Remuneration)		26.1%	12.2%	7.0%	3.5%	0.0%	6.1%	8.0%	8.0%	
Average Cost Per Council Member (Remuneration)			142181.9307	153866.9822			172085.1834			
RAM % of PPE	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	
Asset Renewal and RAM as a % of PPE	9.0%	2.0%	16.0%	2.0%	9.0%	9.0%	0.0%	0.0%	0.0%	
Debt Impairment % of Total Billable Revenue	17.2%	5.1%	14.0%	9.3%	9.2%	9.2%	9.2%	8.3%	6.2%	
Capital Revenue										
Internally Funded & Other (R'000)	26	958	3,243	12,544	8,439	8,439	1,550	-	-	
Borrowing (R'000)	-	-	3,647	-	620	629	-	-	-	
Grant Funding and Other (R'000)	27,313	44,902	37,358	58,473	47,725	47,725	36,000	48,000	32,000	
Internally Generated Funds % of Non Grant Funding	100.0%	100.0%	45.7%	176.0%	93.1%	93.1%	190.0%	0.0%	0.0%	
Borrowing % of Non Grant Funding	0.0%	0.0%	54.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Grant Funding % of Total Funding	89.9%	97.9%	84.0%	82.3%	84.0%	84.0%	96.2%	100.0%	100.0%	
Capital Expenditure										
Total Capital Programme (R'000)	27,338	44,980	44,448	71,917	56,792	56,792	40,550	48,000	32,090	
Asset Renewal	-	-	5,000	8,000	-	-	-	-	-	
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	11.2%	11.3%	0.0%	0.0%	0.0%	0.0%	0.0%	
Cash										
Cash Receipts % of Rate Payor & Other	78.8%	149.2%	73.3%	97.5%	89.0%	88.0%	84.4%	84.2%	85.0%	
Cash Coverage Ratio	0	9	0	0	9	0	0	0	0	
Expenditure										
Capital Receipts (2008/10)										
Capital Charges to Operating	6.5%	1.4%	9.4%	9.7%	0.6%	0.8%	0.8%	9.8%	0.8%	
Borrowing Receipts % of Capital Expenditure	9.0%	0.5%	81.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Reserves										
Surplus/(Deficit)	2,168	26,811	17,261	35,685	32,890	32,890	83,750	49,788	47,501	
Free Services										
Free Basic Services as a % of Equitable Share	2.7%	2.7%	26.5%	27.1%	27.1%	27.1%	27.7%	27.3%	28.3%	
Free Services as a % of Operating Revenue (excl operational transfers)	3.1%	2.5%	1.3%	1.6%	1.4%	1.4%	1.4%	1.4%	1.4%	
High Level Outcome of Funding Compliance										
Total Operating Revenue	68,447	83,318	106,189	88,380	100,806	100,806	100,806	108,810	110,379	
Total Operating Expenditure	96,506	104,942	128,458	116,698	129,254	129,254	129,254	132,220	136,372	
Surplus/(Deficit) Budgeted Operating Statement	(28,059)	(21,624)	(22,270)	(28,319)	(28,448)	(28,448)	(28,448)	(23,410)	(26,093)	
Surplus/(Deficit) Considering Reserves and Cash Backing	(28,893)	4,386	(5,009)	7,366	4,442	4,442	38,616	24,348	21,008	
MTREF Funded (1) / Unfunded (0)	0	1	0	1	1	1	1	1	1	
MTREF Funded ✓ / Unfunded ✗	-	✓	-	✓	✓	✓	✓	✓	✓	

the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/2015 MTREF the indicative outcome is a surplus of R42.197 million, R44.983 million and R33.022 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 2.4 8.9 and declines .2 per cent for the respective financial year of the 2014/2015 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5 per cent, with the increase in electricity at 11 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 97.4, 97.2 and 97.2 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.1, 4.0 and 4.0 per cent over the MTREF. Considering the debt incentive scheme, and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 43 MBRR SA34b on page 117.

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Table 32 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

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2.8 Councillor and employee benefits

Table 33 MBRR SA22 - Summary of councillor and staff benefits

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Table 34 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

NC072 Umsobomvu - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)							
Disclosures of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.				2.
Councillors							
Speaker							-
Chief Whip							-
Executive Mayor		464,666		203,466			668,132
Deputy Executive Mayor							-
Executive Committee							-
Total for all other councillors		2,057,112		190,081			2,266,193
Total Councillors	=	2,541,980	=	402,539			2,944,519
Senior Managers of the Municipality							
Municipal Manager (MM)		890,604		148,092	102,465		1,138,161
Chief Finance Officer		683,290		136,694	61,968		901,872
Technical Services		704,892		119,192	61,968		901,872
Corporate Services		747,664		72,600	61,968		901,872
							-
List of each official with packages ≥ senior manager							-
							-
							-
							-
							-
							-
							-
							-
							-
Total Senior Managers of the Municipality	=	3,026,470	=	468,876	346,445		3,841,791
A Heading for Each Entry List each member of board by designation							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
Total for municipal entities	=	-	=	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	=	5,668,450	=	871,415	346,445		6,786,315

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ANNUAL BUDGET OF
UMSOBOMVU
MUNICIPALITY

2014/15 TO 2016/17

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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- **All public libraries within the municipality**
- **At www.umsobomvumun.co.za**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

The Honourable Chief Whip, Cllr. Mdala
Councilors of Umsobomvu Municipality
Leaders of the Opposition Parties
Leaders of All Political Parties
The Municipal Manager and Officials
Honourable Guests
Ladies and Gentlemen

It is my pleasure to be able to submit to you the third Revised Integrated Development Plan for years (2012-2017) as well as the Medium Term Revenue and Expenditure framework (MTREF) for 2015 -2017 through for the Umsobomvu Municipal council.

We are fresh from the National and Provincial Government Elections where there was a general resonance that there is a good story to tell and Umsobomvu Municipality is not exempted from this wonderful good story.

As we are marching forward in bettering the lives of the people we must equally be mindful of the economic environment in which we as Umsobomvu Municipality function is not easy considering our high rate of unemployment, poverty, inequality and poor revenue base made worse, over the past few years, by the downturn in the economy caused by the world economic recession resulting in such negative economic contributors as sky rocketing fuel and food prices.

In the light of these factors over which we have little or no control we are faced as a municipality with a daunting task and the challenge of the following:

- A huge backlogs in service delivery,
- The socio-economic problems of high unemployment and poverty levels.

- The effectiveness of the governance systems is being assessed and staff within the institution must work in an integrated and focussed manner driven by the IDP.
- We are striving that Umsobomvu Municipality becomes an employer of choice that capacitates both the councillors and staff.

Community services:

- The areas I wish to highlight within the community services department relate to revenue enhancement and solid waste sites.
- The solid waste site and its completion in all areas remain a priority and we will continue in the new financial year to access and allocate funds to this critical area within community services.

Infrastructure:

- The focus of MIG funding will be to ensure that projects are identified within community and infrastructure to ensure the maximum impact on our community.
- The emphasis will be on finalising our road projects and continuing on the electrification of our townships.
- The bulk of the MIG and RBIG funding is still committed to water projects in all three towns.
- A major project on roads in Kuyasa will also start in the new financial year

We have allocated R 39 million toward infrastructure, economic and environmental services

Finance:

- The process is ongoing to ensure credible data that forms the basis of our financial reporting and to this end we will ensure that the Abakus system is implemented and used as a management tool.
- As a municipality we are grant dependant and to this end it is necessary to develop a plan for revenue enhancement to reduce our dependence and improve our financial viability. Hence one of the projects under financial viability is the development of a revenue enhancement project continuously.

Capital budget:

Grant funding:	R39 million
Own funds:	R1,550million
Total capital expenditure:	R40,550million

I hereby table the Medium term Revenue and Expenditure Framework for 2015 through 2017 for adoption by the Umsobomvu Local Council as per the resolutions below:

.....
CLLR NL HERMANS
MAYOR

4. To give proper effect to the municipality's annual budget, the Council of Umsobomvu Municipality Local Municipality approves:
- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R.393 million or 1.8 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and Internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2014/2015 MTREF.

The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects - original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/2015 MTREF process; and
- Availability of affordable capital/borrowing.

Total operating revenue has remained the same for the 2014/2015 financial year when compared to the 2013/14 Adjustments Budget mainly due to operational grants received for special projects that was received in the 2013/2014 financial year. For the two outer years, operational revenue will increase by 7.18 and 3.56 per cent respectively, equating to a total revenue growth of R11,645 million over the MTREF when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/2015 financial year has been appropriated at R126.029 million and translates into a budgeted deficit of R 24.728 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has decreased by 2.5 per cent in the 2014/2015 budget and increased by 5.69 and 3.32 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years decreases to R24.616 and R25.993 respectively. These deficits are non-cash related and are due to the council providing for Infrastructure impairment and depreciation.

The capital budget of R43.091 million for 2014/2015 is 33.28 per cent less when compared to the 2013/14 Adjustment Budget. The decrease is a result of some projects being completed and some close to completion. The capital programme decreases to R43.091 million in the 2014/15 financial year and then increases by 6.18 per cent in 2015/16 to R 45.753 million. All capital over the MTREF will be financed by Grants from National and own revenue.

Note that the Municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has remained the same and will continue over the next five years due to new loans taken up in the past year, as a result of the need to replace specialised vehicles needed to meet the increased demand in services to be delivered. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Umsobomvu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);

Table 3 Percentage Growth in Revenue

Description	Current Year 2013/14			2014/15 medium-Term Revenue & Expenditure Framework			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	% Increase/Decrease	Budget Year +1 2015/16	Budget Year +2 2016/17
Property Rates	4,445,640.00	4,746,080.00	4,746,080.00	5,030,845.00	6.00	5,332,695.00	5,652,658.00
Property Rates-Penalties & Collection Charges	159,000.00	159,000.00	159,000.00	168,540.00	6.00	178,652.00	189,372.00
Service Charges - Electricity Revenue	21,060,000.00	25,757,700.00	25,757,700.00	27,752,812.00	7.75	29,696,442.00	31,997,350.00
Service Charges - Water Revenue	9,180,000.00	9,180,000.00	9,180,000.00	9,931,254.00	8.18	10,527,129.00	11,158,757.00
Service Charges- Sanitation Revenue	6,804,423.36	6,935,000.00	6,935,000.00	7,417,821.00	6.96	7,862,831.00	8,334,541.00
Service Charges Refuse Revenue	5,198,060.00	5,422,052.00	5,422,052.00	5,725,794.00	5.60	6,069,341.00	6,433,502.00
Rental of Facilities and Equipment	307,630.00	374,694.40	374,694.40	395,540.00	5.56	417,636.00	441,058.00
Interest Earned - External Investment	21,500.00	512,000.00	512,000.00	312,000.00	(39.06)	312,000.00	312,000.00
Interest Earned - Outstanding Debtors	1,328,300.00	1,325,000.00	1,325,000.00	1,426,994.00	7.70	1,517,492.00	1,742,019.00
Fines	12,600.00	1,500,000.00	1,500,000.00	1,575,000.00	5.00	1,653,750.00	1,736,438.00
Licenses and Permits	373,242.34	592,568.16	592,568.16	710,282.00	19.87	745,681.00	782,850.00
Agency Services	84,000.00	84,000.00	84,000.00	-	(100.00)	-	-
Transfers Recognised- Operational	35,116,500.00	39,929,500.00	39,929,500.00	36,664,400.00	(8.18)	40,073,950.00	41,374,200.00
Other Revenue	4,288,850.00	4,288,850.00	4,288,850.00	4,189,588.60	(2.31)	4,193,869.51	2,296,607.29
Total Revenue (Excluding Capital Transfers and Contributions)	88,379,746.10	100,806,444.56	100,806,444.56	101,300,870.60	0.49	108,581,468.51	112,451,352.29

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than half of the total revenue mix. In the 2013/14 financial year, revenue from rates and services

Umsobomvu Municipality 2014/15 Annual Budget and MTREF

NC072 Umsobomvu - Supporting Table SA18 Transfers and grant receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	25,707	28,335	31,819	34,402	34,152	34,152	35,673	38,389	39,417
Equitable share	23,837	26,095	29,319	30,684	30,684	30,684	32,362	34,806	35,718
FINANCE MANAGEMENT	1,215	1,450	1,500	1,650	1,650	1,650	1,800	1,950	2,100
MSIG	750	750	800	890	890	890	934	967	1,018
MIG ADMIN - PMU	-	-	-	878	678	678	657	566	581
Energy Efficiency and Demand Management	105	-	-	500	250	250	-	-	-
SUBSIDY STATE	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Provincial Government:	359	522	715	715	708	708	991	1,685	1,957
DEPT ART & CULTURE (LIBRARY)	359	522	715	715	708	708	991	1,685	1,957
YOUTH PROGRAMS	-	-	-	-	-	-	-	-	-
IMMUNISATION GRANT	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	3,600	3,600	-	-	-
IEC INFRASTRUCTURE	-	-	-	-	3,600	3,600	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	28,066	28,857	32,334	35,117	38,460	38,460	36,664	40,074	41,374
Capital Transfers and Grants									
National Government:	1,620	45,492	51,921	55,973	47,473	47,473	43,091	48,753	32,043
RBIG - DWAF	-	37,868	28,350	35,000	31,000	31,000	30,000	30,000	18,000
HOUSING PROJECTS	1,820	1,664	-	-	-	-	-	-	-
BEDE	-	59	5,000	4,500	-	-	-	-	-
MIG - CAPITAL	-	3,584	14,271	12,873	12,873	12,873	10,591	10,753	11,043
INEP	-	2,316	3,300	2,600	2,600	2,600	1,600	5,000	3,000
EPWP	-	-	1,000	1,000	1,000	1,000	1,000	-	-
Provincial Government:	2,804	298	-	2,500	-	-	-	-	-
DISASTER	-	-	-	-	-	-	-	-	-
DEPT OF SAFETY	2,804	298	-	2,500	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	2,600	-	-	-
Kgotso Pula Nala	-	-	-	-	-	2,600	-	-	-
Total Capital Transfers and Grants	4,424	45,790	51,921	58,473	47,473	50,073	43,091	45,753	32,043
TOTAL RECEIPTS OF TRANSFERS & GRANTS	30,490	74,647	84,255	93,589	85,932	88,532	79,755	85,827	73,417

May 2014

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- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/2015 financial year based on a 6 per cent increase from 1 July 2014 is contained below:

Table 5 Comparison of Proposed Rates

Category	Current Tariff (1 July 2013)	Proposed Tariff (From 1 July 2014)
Residential Properties	0.011573	0.010879
State Owned Properties	0.01866	0.017541
Business & Commercial	0.0129267	0.012869
Agricultural	0.00273	0.002720

Table 6 Proposed Water Tariffs

Category	Current Tariffs 2013/14 Rand per kl	Proposed Tariffs 2014/15 Rand per kl	Percentage Change
Residential			
(i) 0 to 6 kl per 30-day period	R4.17	R4.44	6.5%
(ii) 7 to 20 kl per 30-day period	R5.03	R5.36	6.5%
(iii) 21- 30kl per 20-day period	R6.47	R6.89	6.5%
(iv) 30+	R8.54	R9.09	6.5%
Non Residential			
(i) 0-60kl per 30-day period	6.12	6.52	6.5%
(ii) 61kl per 30-day period	8.22	8.76	6.5%

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

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The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 8 Comparison Between Current Electricity Charges And Increases (Domestic)

Monthly Consumption Kwh	Current Amount Payable R	Proposed Amount Payable R	Difference Increase R	Percentage Change %
100	R78.04	R 83.62	R5.58	7%
250	R206.83	R 221.62	R14.79	7%
500	R485.05	R 518.98	R33.93	7%
750	R810.79	R 867.89	R57.10	7%
1000	R1155.79	R 1,237.89	R82.10	7%
2000	R2535.79	R 2,717.89	R182.10	7%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof has been that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality is implementing the stepped tariff structure according to NERSA's proposal.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2015/2016 and

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Table 9 Comparison Between Current Sanitation Charges And Increases

Description	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
		Budget Year 2014/15	Budget Year + 1 2015/16	Budget Year + 2 2016/17
Waste Water Tariffs				
Basic Charge/Fixed Fee (Rands/Month)	85.02	92.68	98.2408	104.135248
Service Point-Vacant Land (Rand/Month)	49.07	53.49	56.6994	60.101364
Conservancy Tank Household (1 Service per Month)	63.68	69.41	73.5746	77.989076
Conservancy Tank Household (Additional Service per Month) : Payable in Advance	67.50	73.58	77.9948	82.674488
Conservancy Tank Schools per Load	93.36	101.76	107.8656	114.337536
Conservancy Tank Businesses per Load With Minimum of 1 Load per Month	93.36	101.76	107.8656	114.337536
Night soil Removal (Per Bucket per Month)	46.31	50.48	53.5088	56.719328
Night Soil Rondawel (Per Bucket per Month)	32.66	35.6	37.736	40.00016
Meatlands Industrial Effluent per Month				
Meatlands Sewerage Same As Business Tariffs				
Meatlands Dumping Charges Of Blood And Dung per Month	727.77	793.26	840.8556	891.306936
Sewerage Household/Colesberg High School/ per Month	85.02	92.68	98.2408	104.135248
Sewerage Prison per Point per Month	285.91	311.65	330.349	350.16994
Sewerage Garages and State per Point per Month	172.07	187.56	198.8136	210.742416
Sewerage Hospital per Point per Month	305.94	333.48	353.4888	374.698128
Sewerage Business Normal	110.21	120.13	127.3378	134.978068
Sewerage Business With Minimum of 2 Points per Month	170.05	185.36	196.4816	208.270496
Sewerage Business Additional Connection	40.93	44.62	47.2972	50.135032
Sewerage Availability per Month	49.07	53.49	56.6994	60.101364
Meatlands per Sheep (Effluent)	0.70	0.76	0.8056	0.853936

The following table compares current and proposed amounts payable from 1 July 2014:

Table 11 Comparison Between Current Waste Removal Fees and Increases (Domestic)

	Current Tariffs 2013/2014		Proposed Tariffs 2014/2015		Difference (Increase) R	% Increase
	Waste Removal	Municipal Cleaning	Waste Removal	Municipal Cleaning		
Domestic- Monthly	R61.23		R66.74		R5.51	9%
Additional Bin Per Month	R20.86		R22.73		R1.87	9%
Business	R88.16		R96.09		R7.93	9%
Garden Refuse Households	R6.17		R6.72		R0.55	9%

1.4.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.4 and 7.6 per cent and 7.6 per cent for indigents.

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1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/2015 budget and MTREF (classified per main type of operating expenditure):

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 85 per cent and the Debt Write-off Policy of the Municipality. For the 2014/2015 financial year this amount equates to R5.238 million and escalates to R5.565 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.24 per cent (R.296 million) of operating expenditure excluding annual redemption for 2014/2015. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it decreases to 0.19 and 0.17 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. In the 2014/2015 it has decreased by 23.06 per cent and increased and decreased by 3.93 and 1.68 per cent respectively in the outer years.

The following table gives a breakdown of the main expenditure categories for the 2014/2015 financial year.

During the compilation of the 2014/2015 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 13.94 per cent in the 2014/2015 financial year, from R2.167 million to R2.469 million. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/2015 equates to R2.469 million a growth of 13.94 per cent in relation to the Adjustment Budget and continues to grow at 3.32 and remain constant there over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 1.96 per cent for the respective financial years of the MTREF. This is mainly due to bulk electricity purchases that continually exceed growth in other expenditure items.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 4 Repairs and maintenance per asset class

For the 2014/2015 financial year, 41.88 per cent or R1.034 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 60.06 per cent (R.621million), followed by water infrastructure at 32.59 per cent (R.337 million), sanitation at 4.83 per cent (R.050 million) and roads at 2.52 per cent (R.026 million). Community assets have been allocated R.199 million of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3782 or more indigent households during the 2014/2015 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 16 MBRR A10 (Basic Service Delivery Measurement) on page 54.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

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For 2014/2015 an amount of R 40.550 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R45 million, 100 per cent and R32 million, 100 per cent respectively for each of the financial years. Water services receives the highest allocation of R 31.500 million in 2014/2015 which equates to 77.68 per cent followed by roads infrastructure at 14.8 per cent, R6 million.

Total new assets represent 100 per cent or R 40.550 million of the total capital budgets. Further detail relating to asset classes and proposed capital expenditure is contained in Table 15 MBRR A9 (Asset Management) on page 50. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Electricity for all (backlog eradication) – R1.5 million;
- Bulk supply and backlog eradication of water – R8. million;
- Backlog eradication of roads – R6 million;

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in the MTREF expenditure. This concomitant operational expenditure is expected to escalate to R2 million by 2016/17. It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/2015 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 6 MBRR Table A1 - Budget Summary



Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from Investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2014/15 the water backlog will have been eliminated.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 4 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water, Waste water and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 9 Surplus/(Deficit) calculations for the trading services

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		Full Year Forecast	2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget		Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
ELECTRICITY - Revenue	12 942	17 610	19 933	20 466	25 030	25 030	29 286	30 421	31 295
ELECTRICITY - Expenditure	41 978	18 337	18 043	18 874	21 504	21 504	22 361	23 637	25 776
% Surplus(Deficit)	(28.43%)	(7.17%)	1.89%	1.59%	4.07%	4.07%	7.12%	6.78%	6.06%
	-219.73	-4.07	9.48	7.78	16.25	16.25	24.33	22.30	19.39
WATER - Revenue	7 944	32 550	38 559	9 259	9 645	9 645	58 812	51 865	52 821
4.5 - WATER Expenditure	35 670	7 043	19 564	2 493	19 144	19 144	19 901	19 312	20 131
4.6 - WATER TREATMENT WORKS							500	530	562
% Surplus(Deficit)	-388.42	78.43	49.26	19.61	-98.08	-98.08	66.33	60.97	60.79

- Although there is a 10% increase from the 2013/2014 adjustment due to more efficient billing the electricity trading surplus is deteriorating over the 2014/15 MTREF from 24.3 per cent or R7 million in 2013/14 to 19 per cent or R6 million by 2015/16. This is

Umsobomvu Municipality 2014/15 Annual Budget and MTREF

NC072 Umsobomvu - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source									
Property rates	3,812	4,146	4,735	4,446	4,746	4,746	5,031	5,333	5,653
Property rates - penalties & collection charges	559	265	165	159	159	159	169	178	189
Service charges - electricity revenue	13,863	18,680	20,205	21,060	25,758	25,758	27,763	29,698	31,697
Service charges - water revenue	7,351	8,117	8,686	8,180	9,180	9,180	9,931	10,527	11,158
Service charges - sanitation revenue	4,835	5,506	6,143	6,604	8,935	8,935	7,418	7,863	8,335
Service charges - refuse revenue	3,929	4,478	4,834	5,198	5,422	5,422	5,726	6,089	6,434
Service charges - other	-	270	(4)	-	-	-	-	-	-
Rental of facilities and equipment	408	379	413	306	375	375	398	418	441
Interest earned - external investments	56	418	814	22	512	512	312	312	312
Interest earned - outstanding debtors	1,258	1,431	1,813	1,328	1,325	1,325	1,427	1,517	1,742
Dividends received	-	-	-	-	-	-	-	-	-
Fines	1,313	5,365	1,382	13	1,500	1,500	1,575	1,664	1,738
Licences and permits	373	435	473	373	593	593	710	748	783
Agency services	-	-	-	84	84	84	-	-	-
Transfers recognised - operational	26,450	28,857	45,252	35,117	39,930	39,930	38,884	40,074	41,374
Other revenue	4,140	6,848	10,087	4,289	4,289	4,289	4,190	4,194	2,297
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	68,447	83,318	106,189	88,380	109,808	109,808	101,301	108,581	112,451
Expenditure By Type									
Employee related costs	25,041	27,209	30,143	34,820	34,610	34,810	39,057	42,676	46,730
Remuneration of councillors	2,218	2,413	2,488	2,804	3,039	3,039	2,945	3,092	3,246
Debt impairment	8,008	2,021	6,907	4,393	4,849	4,849	5,238	5,565	5,915
Depreciation & asset impairment	28,721	28,039	28,037	27,587	27,588	27,588	23,834	23,846	23,848
Finance charges	203	127	127	364	342	342	296	246	228
Bulk purchases	11,011	14,101	15,756	16,726	17,310	17,310	18,670	20,138	21,725
Other materials	-	-	-	-	-	-	-	-	-
Contracted services	4,405	3,590	2,485	672	672	672	4,562	4,772	3,817
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	20,902	27,035	42,439	29,530	40,843	40,843	31,428	32,860	32,111
Loss on disposal of PPE	-	407	78	1	1	1	1	1	1
Total Expenditure	96,508	104,942	126,458	116,698	129,254	129,254	126,029	133,197	137,621
Surplus/(Deficit)	(28,061)	(21,624)	(22,270)	(28,319)	(28,446)	(28,446)	(24,728)	(24,616)	(25,170)
Transfers recognised - capital	30,985	48,376	40,621	59,150	64,585	64,585	43,091	45,753	34,343
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	2,924	24,754	18,352	30,831	36,137	36,137	18,363	21,137	9,173

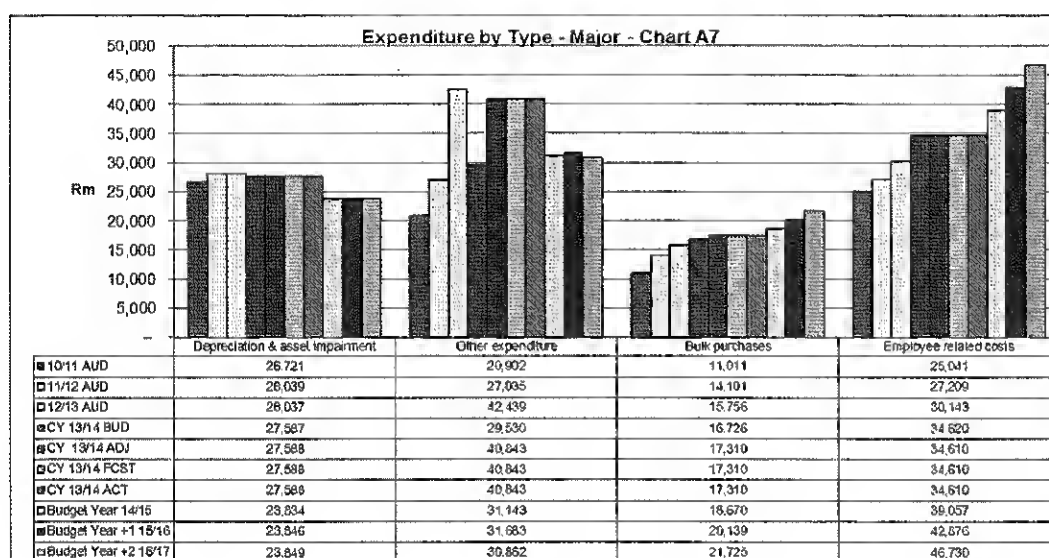


Figure 3 Expenditure by major type

6. Bulk purchases have significantly increased over the 2010/2011 to 2016/17 period escalating from R11.011 million to R21.725 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from DWAF.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R9.050 million for the 2014/2015 financial year and remains relatively constant in the 2015/2016 financial year and increases to R 32 million in the 2016/2017 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers. For 2014/2015, capital transfers totals R40.550 million (100 per cent) and R45million by 2015/16 (100 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 12 MBRR Table A6 - Budgeted Financial Position

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality has been moving up and down over the 2010/11 to 2016/17 period as it can be noted from the decrease of R 23.941 million.
4. The approved 2014/2015 MTREF provide for a net increase in cash of R13.480 million for the 2015/16 financial year resulting in an overall projected positive cash position of R8.707 million at year end.
5. As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors. These interventions translated into an expected net cash position of R13.712 million for the 2013/14 financial year and cash and cash equivalents totaled R39.308 million at year end.
7. The 2014/2015 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R19.168 million as at the end of the 2014/2015 financial year and declines to R8.707 million by 2016/17.

7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/2014 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively increase from R32.9 million to R46 million by 2016/17.

Table 15 MBRR Table A9 - Asset Management



Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations as the focus of resources is on new Basic service infrastructure and repair and maintenance amounts to ,48 per cent.

②

Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Sanitation (free minimum level service)	2,297	2,547	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Electricity/other energy (50kwh per household per month)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Refuse (removed at least once a week)	2,654	2,904	3,132	3,532	3,532	3,532	3,782	4,032	4,032
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	175	189	2,078	636	636	636	674	714	755
Sanitation (free sanitation service)	192	202	2,137	3,603	3,603	3,603	3,928	4,163	4,399
Electricity/other energy (50kwh per household per month)	131	163	1,397	1,494	1,494	1,494	1,614	1,743	1,872
Refuse (removed once a week)	150	156	2,171	2,595	2,595	2,595	2,751	2,916	3,081
Total cost of FBS provided (minimum social package)	848	710	7,783	8,329	8,329	8,329	8,967	9,537	10,107
Highest level of free service provided									
Property rates (R value threshold)	82,274	90,024	109,620	130,684	130,684	130,684	139,934	149,184	149,184
Water (kilolitres per household per month)	6	6	6	6	6	6	6		
Sanitation (kilolitres per household per month)	1	1	1						
Sanitation (Rand per household per month)	68	72	60	91	91	91	99	105	105
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	1	1	1	200	200	200	200	200	200
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	650	655	660	700	700	700	742	786	786
Property rates (other exemptions, reductions and rebates)									
Water	175	189	38	40	40	40	42	45	45
Sanitation	192	202	38	40	40	40	42	45	45
Electricity/other energy	131	163	38	40	40	40	42	45	45
Refuse	150	156	38	40	40	40	42	45	45
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	1,298	1,365	810	859	859	859	910	965	965

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Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 27 August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/2014 MTREF;
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

With the compilation of the 2014/2015 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2012/13 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/2015 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
 - Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
 - The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/2015 MTREF as tabled before Council on 31 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/2015 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 17 IDP Strategic Objectives

2012/13 Financial Year	2013/2014 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Umsobomvu principles through a caring, accessible and accountable service	4. Foster participatory democracy and Umsobomvu principles through a caring, accessible and accountable service
5. Good governance, Financial viability and Institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

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5.2 Ensure financial sustainability through:

- o Reviewing the use of contracted services
- o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;

Table 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

NC072 Umsobomvu - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

NC072 Umsobomvu - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)											
Strategic Objective	Goal	Goal Code	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Basic Services	Provision & maintenance of Infrastructure & basic	1	25,401	59,367	103,003	104,047	115,750	115,750	65,946	102,037	92,333
	PUBLIC WORKS	1	25	53	743	3,560	6,160	6,160	1,050	60	60
	WORKSHOP	5		-	-	-					
	HOUSING SERVICES	5		1,620	1	-	-	-	-	-	
	WATER TREATMENT	6		14,974		-					
	WATER	1	7,344	19,047	45,269	50,012	62,922	62,922	51,499	52,291	41,383
	SEWERAGE	1	4,821	5,062	15,933	7,629	7,166	7,166	7,662	8,122	8,600
	WASTE WATER	3		-		-					
	SOLID WASTE	3	3,966	4,116	5,173	5,359	5,662	5,662	5,696	6,250	6,625
	ELECTRICITY	4	9,250	14,408	36,776	29,286	33,846	33,640	20,631	36,315	35,659
	REFUSE DUPM	2		7	-	-					
		4									
Municipal Institutional Development and	Social Services		5,659	9,635	7,911	6,119	11,767	11,787	8,896	10,041	10,700
	PARKS & RECREATION	2		-	5	-					
	TRAFFIC SERVICES	13	1,931	2,077	1,878	468	2,174	2,174	2,263	2,397	2,517
	MUSEUM	12		6	3	2	3	3	2	2	2
	LIBRARIES	8		361	717	715	708	708	991	1,665	1,057
	CEMETERIES	9		26	21	21	3,621	3,621	22	23	25
	PROPERTY SERVICES	15		2,994	495	309	376	376	399	423	448
	ASSESSMENT RATES	8	3,720	4,371	4,793	4,005	4,905	4,905	5,199	5,511	5,842
		17									
	Tourism		-	-	(0)	1	-	-	1	1	1
		3		-	(0)	1	-	-	1	1	1
		7									
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure		19,549	6,061	5,665	6,662	7,152	7,152	7,146	7,329	7,928
	FINANCE	17	19,549	6,061	5,665	6,662	7,152	7,152	7,146	7,329	7,928
Good Governance and Public Participation	Council		22,676	23,655	29,341	30,702	30,702	30,702	32,461	34,928	35,739
	MAYOR			-	-	-					
	COUNCIL EXPENSES	17	18,948	23,637	29,319	30,684	30,684	30,684	32,382	34,908	35,716
	MUNICIPAL MANAGER	17		-	-	-					
	CORPORATE SERVICE	17	3,729	18	22	18	18	16	19	20	21
		16									
Allocations to other priorities			-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)			73,285	99,439	146,810	147,530	165,391	165,391	144,391	154,337	146,794

Table 20 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)											
Strategic Objective	Goal	Goal Code	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Basic Services	Provision & maintenance of Infrastructure & basic	1	27,496	44,002	42,630	89,467	56,639	-	38,000	45,000	32,000
	PUBLIC WORKS	1	-	13,580	393	4,500	8,729	-	6,000	6,000	-
	WORKSHOP	6	-	-	-	-	-	-	-	-	-
	HOUSING SERVICES	6	-	-	-	-	-	-	-	-	-
	WATER TREATMENT	6	-	-	-	-	-	-	-	-	-
	WATER	1	63	30,050	28,870	57,867	43,058	-	31,500	35,000	29,000
	SEWERAGE	1	-	-	10,242	-	-	-	-	-	-
	WASTE WATER	3	-	-	-	-	1,500	-	-	-	-
	SOLID WASTE	3	-	-	-	-	-	-	-	-	-
	ELECTRICITY	4	27,432	163	3,126	7,100	3,353	-	1,600	6,000	3,000
	REFUSE DUMP	2	-	218	-	-	-	-	-	-	-
		4	-	-	-	-	-	-	-	-	-
Municipal Institutional Development and	Social Services	23	23	365	-	-	153	-	-	-	-
	PARKS & RECREATION	2	-	-	-	-	-	-	-	-	-
	TRAFFIC SERVICES	13	23	-	-	-	153	-	-	-	-
	MUSEUM	12	-	-	-	-	-	-	-	-	-
	LIBRARIES	8	-	-	-	-	-	-	-	-	-
	CEMETERIES	9	-	-	-	-	-	-	-	-	-
	PROPERTY SERVICES	15	-	365	-	-	-	-	-	-	-
	ASSESSMENT RATES	8	-	-	-	-	-	-	-	-	-
		17	-	-	-	-	-	-	-	-	-
	Local Economic Development	Tourism	-	-	-	-	-	-	-	-	-
LED AND IDP		2	-	-	-	-	-	-	-	-	-
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the FINANCE	7	-	117	-	1,650	-	-	1,650	-	-
		17	-	117	-	1,550	-	-	1,650	-	-
Good Governance and Public Participation	Council	-	-	476	-	-	-	-	-	-	-
	MAYOR	-	-	476	-	-	-	-	-	-	-
	COUNCIL EXPENSES	17	-	-	-	-	-	-	-	-	-
	MUNICIPAL MANAGER	17	-	-	-	-	-	-	-	-	-
	CORPORATE SERVICE	17	-	-	-	-	-	-	-	-	-
Allocations to other priorities			-	-	-	-	-	-	-	-	-
Total Capital Expenditure			27,518	44,960	42,630	71,917	58,792	-	40,550	45,000	32,000

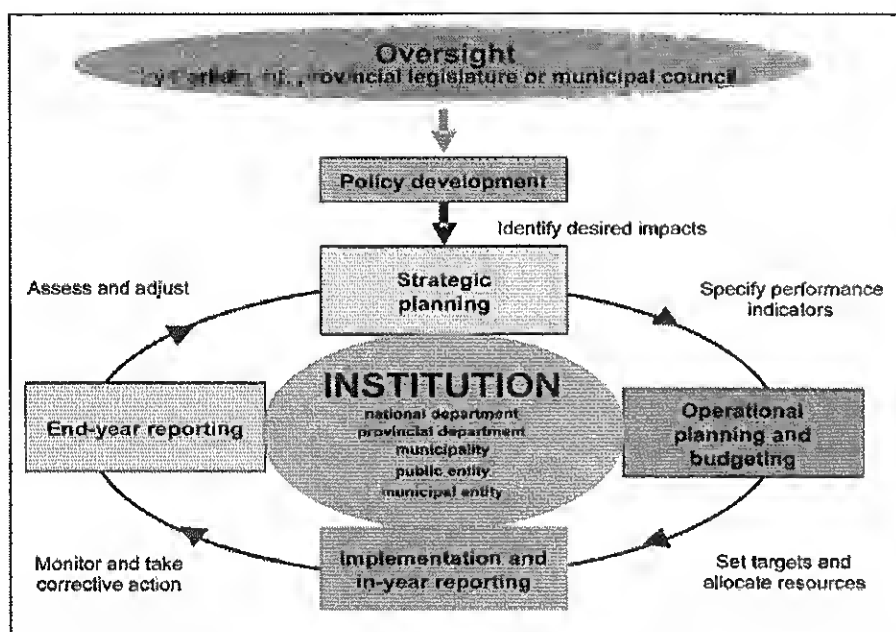


Figure 4 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

2

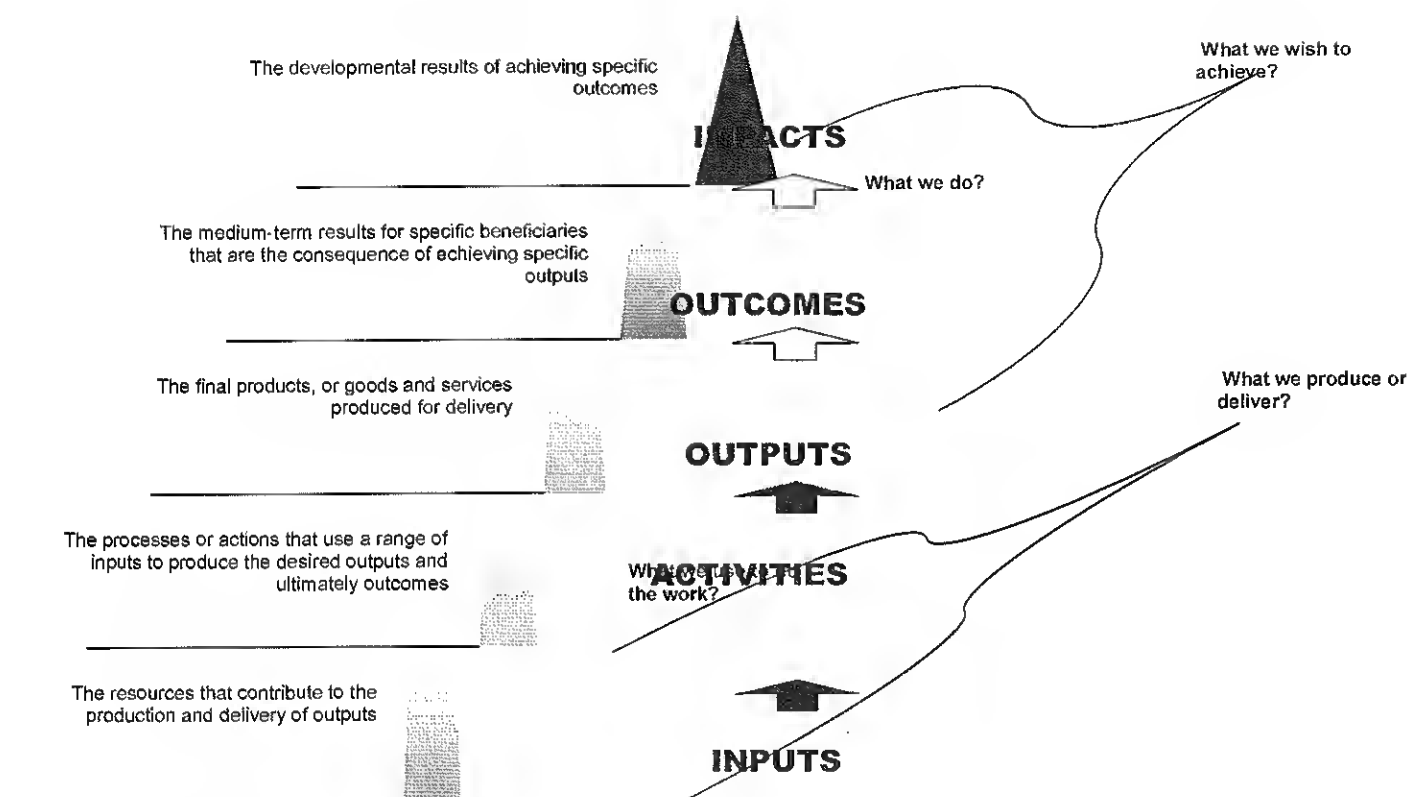


Figure 5 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

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Umsobomvu Municipality 2014/15 Annual Budget and MTREF

Corporate Services										
Corporate Services										
Sub-function 1 - (name)										
Reaching of employment equity targets	% Target reached as per			90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Targeted skills development	The % of budget spent on			00.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effective labour relations	No of LLF meetings			4	4	4	4	4	4	4
Effective and update HR policies	Revision of ell HR	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Local Economic Development										
Reviewed IDP	IDP reviewed annually	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Enhancement of economic development	Value of contracts signed									
Employment through job creation initiatives	No of temporary jobs				1000.0%	1000.0%	1000.0%	1000.0%	1000.0%	1000.0%
Community Services										
Maintenance of halls and facilities	% of maintenance budget				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Technical Services										
Roads and Stormwater										
Sub-function 1 - (name)										
Improvement in conditional grant spending	% of conditional capital			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of municipal roads	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of municipal roads (Reseal)	Kilometres of roads			2	2	2	2	2	2	2
Maintenance of refuse removal services	% of maintenance budget on refuse removal spent			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of sanitation services	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maintenance of water assets	% of maintenance budget on water services spent			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New water connections	No of new water connections			100	100	100	100	100	100	100
Replacement of existing water meters	No of meters replaced			100	100	100	100	100	100	100
Maintenance of electricity network	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New electricity connections	No of new electricity			100	100	100	100	100	100	100
Replacement of existing electricity meters	No of electricity meters			10	10	10	10	10	10	10
Maintenance of stormwater services	% of maintenance budget			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Insert measure's description										
Entity 3 - (name of entity)										
Effective functioning of MPAC										
And so on for the rest of the Entities										

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2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Umsobomvu Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the municipality has no borrowing cost in 2014/2015 and in 2015/16. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is zero per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2012 and 2017. Debt service costs are expected to peak in 2017 due to the redemption of the last few term loans held by the Municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/2015 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/2015 financial year 3532 registered indigents have been provided for in the budget with this figured increasing to 4032 by 2015/16. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, sanitation and free waste removal equivalent to removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 16 MBRR A10 (Basic Service Delivery Measurement) on page 54.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The total water supply of is extracted and treated by the municipality, from rivers and boreholes.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2013. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget Policy was approved by Council in JULY 2012 and was amended on 16 February 2014 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2014. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Domestically, after five years of strong growth, during which about 400 jobs were created, our economy shrank by an estimated 1.8 per cent last. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2014 will be .7 per cent rising to .8 per cent by 2016.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/2015 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 38 per cent of total operating expenditure in the 2013/2014 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Credit rating outlook

No credit rating have been done by the Municipality

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for Umsobomvu Municipality in the 2014/2015 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/2015 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/2015 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the Operating Revenue over the Medium-term

Description R Thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14	%	Budget Year + 1 2014/15	%	Budget Year+2 2015/16	Budget Year+2 2015/16
Property Rates	4,746,080	6.0	5,030,845.00	6.0	5,332,695.00	5,652,658.00
Service Charges	47,294,752	7.5	50,827,681.00	6.5	54,155,743.00	57,924,150.00
Investment Revenue	512,000	(39.1)	312,000.00	-	312,000.00	312,000.00
Transfers Recognised - Operational	39,929,500	(8.9)	36,381,400.00	7.5	39,096,950.00	40,125,200.00
Other Own Revenue	4,288,850	(2.3)	4,189,588.60	0.1	4,193,869.51	2,296,607.29
Total Operating Revenue (Excluding Capital Transfers And Contributions)	100,806,445	0.2	101,017,870.60	6.5	107,604,468.51	111,202,352.29
Total operating Expenditure	129,254,214	(2.7)	125,745,783.63	5.1	132,220,212.56	136,372,089.39
Surplus / Deficit	(28,447,769.30)	(13.1)	(24,727,913.34)	(0.5)	(24,615,745.14)	(25,169,737.10)

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- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 33 Proposed Tariff Increase Over The Medium-term

Revenue Category	2014/15 Proposed Tariff Increase	2015/16 Proposed Tariff Increase	2016/17 Proposed Tariff Increase	2014/15 Additional Revenue for Each 1% Tariff Increase	2015/16 Additional Revenue Owing To 1% Tariff Increase	2014/15 Total Budgeted Revenue
	%	%	%	R'000	R'000	R'
Property Rates	6%	6%	6%	R 47.50	R 50.33	R 53.33
Sanitation	9%	6%	6%	R 53.67	R 74.17	R 78.67
Solid Waste	6%	6%	6%	R 14.67	R 55.16	R 58.33
Water	6.5%	6%	6%	R 125.17	R 99.33	R 105.33
Electricity	7%	7%	7%	R 285	R 277.57	R 328.71
Total						

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Table 23 MBRR SA15 – Detail Investment Information

NC072 Umsobomvu - Supporting Table SA15 Investment particulars by type

Investment type	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank				12,000	12,000	12,000	6,000	6,000	6,000
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
Municipality sub-total	-	-	-	12,000	12,000	12,000	6,000	6,000	6,000
Entities									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank									
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Entities sub-total	-	-	-	-	-	-	-	-	-
Consolidated total:	-	-	-	12,000	12,000	12,000	6,000	6,000	6,000

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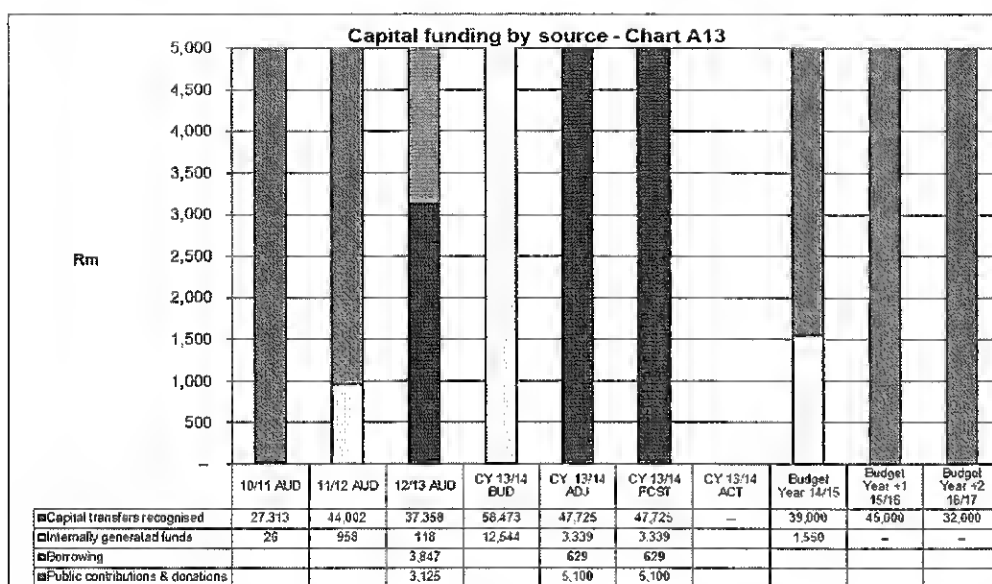


Figure 7 Sources of capital revenue for the 2013/14 financial year

Capital grants and receipts equates to 96.18 per cent of the total funding source which represents R40.550 million for the 2014/15 financial year and steadily increases to R45.000 million or 100 per cent by 2014/15. Capital grants are decreasing 28.89 per cent over the medium-term.

Borrowing still remains an insignificant funding source for the capital programme over the medium-term. As explained earlier, the borrowing capacity of the Municipality has essentially reached its limits and going forward borrowing limits will remain constant.

The following table is a detailed analysis of the Municipality's borrowing liability.

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Table 27 MBRR Table SA 18 - Capital transfers and grant receipts

NC072 Umsobomvu - Supporting Table SA18 Transfers and grant receipts									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	25,707	28,335	31,819	34,402	34,152	34,152	35,573	38,388	39,417
Equitable share	23,637	26,095	29,319	30,884	30,684	30,684	32,382	34,906	35,718
FINANCE MANAGEMENT	1,215	1,450	1,500	1,850	1,650	1,850	1,800	1,950	2,100
MSIG	750	700	800	890	890	800	934	867	1,018
MIG ADMIN - PMU	-	-	-	878	878	678	557	588	581
Energy Efficiency and Demand Management	105	-	-	500	250	250	-	-	-
SUBSIDY BTATE	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
Provincial Government:	359	522	715	715	708	708	891	1,885	1,957
DEPT ART & CULTURE (LIBRARY)	359	522	715	715	708	708	891	1,885	1,957
YOUTH PROGRAMS	-	-	-	-	-	-	-	-	-
IMMUNISATION GRANT	-	-	-	-	-	-	-	-	-
Other transfers and grants (insert description)	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other transfer and grants (insert description)	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	3,800	3,600	-	-	-
IEC INFRASTRUCTURE	-	-	-	-	3,600	3,600	-	-	-
Other transfer and grants (insert description)	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	26,066	28,857	32,334	35,117	38,460	38,480	36,684	40,074	41,374
Capital Transfers and Grants									
National Government:	1,620	45,492	51,821	55,973	47,473	47,473	43,091	45,753	32,043
RBIG - DWAF	-	37,889	28,350	35,000	31,000	31,000	30,000	30,000	18,000
HOUSING PROJECTS	1,820	1,684	-	-	-	-	-	-	-
EEDG	-	59	5,000	4,500	-	-	-	-	-
MIG - CAPITAL	-	3,584	14,271	12,873	12,873	12,873	10,591	10,753	11,043
INEP	-	2,316	3,300	2,600	2,600	2,800	1,500	5,000	3,000
EPWP	-	-	1,000	1,000	1,000	1,000	1,000	-	-
Provincial Government:	2,804	298	-	2,500	-	-	-	-	-
DISASTER	-	-	-	-	-	-	-	-	-
DEPT OF SAFETY	2,804	298	-	-	-	-	-	-	-
EPWP	-	-	-	2,500	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
DISTRICT MUNICIPALITY	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	2,600	-	-	-
Kgoiso Pula Nala	-	-	-	-	-	2,600	-	-	-
Total Capital Transfers and Grants	4,424	45,790	51,921	58,473	47,473	50,073	43,091	45,753	32,043
TOTAL RECEIPTS OF TRANSFERS & GRANTS	30,490	74,647	84,255	93,590	85,932	88,552	79,775	85,827	73,417

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Table 28 MBRR Table A7 - Budget cash flow statement

NC072 Umsobomvu - Table A7 Budgeted Cash Flows									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	33,046	80,641	43,972	51,913	51,913	51,913	59,480	66,449	68,781
Government - operating	26,450	28,857	45,863	35,117	39,930	39,930	36,664	40,074	41,374
Government - capital	30,985	46,378	34,315	59,150	64,585	64,585	43,091	45,753	34,343
Interest	1,873	2,136	914	1,350	1,350	1,350	1,739	1,829	2,054
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(64,957)	(81,111)	(82,092)	(84,355)	(81,457)	(81,457)	(88,438)	(94,487)	(127,888)
Finance charges	(203)	(127)	(127)	(364)	(364)	(364)	(364)	(339)	(5,915)
Transfers and Grants	-	-	-	-	-	-	-	-	(3,817)
NET CASH FROM/(USED) OPERATING ACTIVITIES	27,193	76,774	42,846	62,811	75,956	75,956	52,182	59,280	8,932
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	3	-	-	(0)	(0)	(0)	(0)	-
Decrease (increase) in non-current debtors	5	4	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-
Payments									
Capital assets	(27,339)	(44,960)	(44,448)	(71,017)	(61,792)	(61,792)	(47,898)	(45,000)	(32,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(27,339)	(44,954)	(44,448)	(71,017)	(61,793)	(61,793)	(47,898)	(45,000)	(32,000)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	4,385	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-
Payments									
Repayment of borrowing	(291)	(1,331)	(367)	(452)	(452)	(452)	(728)	(800)	(872)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(291)	(1,331)	4,018	(452)	(452)	(452)	(728)	(800)	(872)
NET INCREASE/ (DECREASE) IN CASH HELD	(431)	30,489	2,415	(8,658)	13,712	13,712	3,556	13,480	(23,941)
Cash/cash equivalents at the year begin:	1,937	1,506	31,995	25,208	25,596	25,596	15,612	19,168	32,648
Cash/cash equivalents at the year end:	1,506	31,995	34,410	16,550	39,308	39,308	19,168	32,648	8,707

Table 29 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC072 Umsobomvu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Fall Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and Investments available									
Cash/cash equivalents at the year end	1,506	31,995	34,410	16,550	39,308	39,308	19,168	32,648	8,707
Other current investments > 90 days	0	0	0	(4,550)	(27,308)	(27,308)	20,356	(6,608)	7,592
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and Investments available:	1,506	31,995	34,410	12,000	12,000	12,000	39,524	26,040	16,300
Application of cash and investments									
Unspent conditional transfers	8,481	29,359	24,002	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-
Other working capital requirements	(9,143)	(23,375)	(6,853)	(23,685)	(20,890)	(20,890)	(28,793)	(27,962)	(27,304)
Other provisions	-	-	-	-	-	-	-	-	-
Long term Investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	(661)	5,984	17,149	(23,685)	(20,890)	(20,890)	(28,793)	(27,962)	(27,304)
Surplus(shortfall)	2,168	26,011	17,261	35,685	32,890	32,890	66,317	54,002	43,604

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

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Umsobomvu Municipality 2014/15 Annual Budget and MTREF

DoRA operation										
Equitable share										
FINANCE MANAGEMENT										
MSIG										
MIG ADMIN - PMU										
DEPTARY & CULTURE (LIBRARY)										
DoRA capital										
RPIR - DWAF										
INEP										
EPWP										
MIG - CAPITAL										
Transf										
Change in consumer debtors (current and non-current)	9,552	5,029	9,754	(9,784)	4,653	(275)	—	—	—	—
Total Operating Revenue	96,447	83,318	106,169	86,360	100,806	100,806	100,802	106,810	110,379	
Total Operating Expenditure	96,506	104,942	128,456	116,598	129,254	129,254	125,740	132,220	136,372	
Operating Performance Surplus/(Deficit)	(26,061)	(21,624)	(22,270)	(28,319)	(28,448)	(28,448)	(24,944)	(25,410)	(25,993)	
Cash and Cash Equivalents (30 June 2012)							22,960			
Revenues										
% Increase in Total Operating Revenue		21.7%	27.5%	(15.6%)	14.1%	0.0%	(0.0%)	6.0%	3.3%	
% Increase in Property Rates Revenue		6.7%	14.2%	(0.1%)	6.8%	0.0%	0.0%	6.0%	6.0%	
% Increase in Electricity Revenue		19.5%	21.1%	4.2%	22.3%	0.0%	7.7%	7.0%	7.7%	
% Increase in Property Rates & Services Charges		14.6%	16.2%	2.1%	11.4%	0.0%	8.8%	6.5%	6.9%	
Expenditure										
% Increase in Total Operating Expenditure		6.7%	22.4%	(9.2%)	10.8%	0.0%	(2.7%)	5.1%	3.1%	
% Increase in Employee Costs		6.7%	10.8%	14.0%	(0.0%)	6.0%	12.5%	9.8%	9.0%	
% Increase in Electricity Bulk Purchases		26.1%	12.2%	7.6%	3.5%	0.0%	8.1%	6.0%	6.0%	
Average Cost Per Budgeted Employee Position (Remuneration)			142161.0387	153866.9822			172055.1634			
Average Cost Per Councillor (Remuneration)			248528.5	260430.4			264451.9			
RAM % of PPE	6.5%	6.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	
Asset Renewal and RAM as a % of PPE	8.0%	2.0%	15.0%	2.0%	0.0%	6.0%	0.0%	0.0%	0.0%	
Debt Impairment % of Total Billable Revenue	17.2%	6.1%	14.9%	6.3%	9.2%	5.2%	9.3%	9.3%	9.2%	
Capital Revenue										
Internally Funded & Other (R'000)	26	958	3,243	12,544	6,438	6,438	1,650	—	—	
Borrowing (R'000)	—	—	3,647	—	829	829	—	—	—	
Grant Funding and Other (R'000)	27,313	44,092	37,358	58,473	47,725	47,725	39,000	40,000	32,000	
Internally Generated funds % of Non Grant Funding	100.0%	100.0%	46.7%	100.0%	93.1%	93.1%	100.0%	0.0%	0.0%	
Borrowing % of Non Grant Funding	0.0%	0.0%	54.3%	6.0%	6.0%	6.0%	0.0%	0.0%	0.0%	
Grant Funding % of Total Funding	99.9%	97.9%	84.0%	82.3%	84.0%	84.0%	95.2%	100.0%	100.0%	
Capital Expenditure										
Total Capital Programme (R'000)	27,338	44,960	44,448	71,517	56,792	56,792	40,560	48,000	32,000	
Asset Renewal	—	—	6,000	6,000	—	—	—	—	—	
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	11.2%	11.3%	0.0%	0.0%	0.0%	0.0%	0.0%	
Cash										
Cash Receipts % of Rate Payer & Other	76.6%	149.2%	73.3%	97.5%	86.0%	86.0%	84.4%	84.2%	85.6%	
Cash Coverage Ratio	0	0	0	0	0	0	0	0	0	
Reserves										
Credit Rating (2008/10)							0			
Capital Charges to Operating	0.5%	1.4%	0.4%	0.7%	5.6%	0.6%	0.6%	0.8%	0.8%	
Borrowing Receipts % of Capital Expenditure	0.0%	0.0%	61.8%	0.0%	5.6%	0.0%	0.0%	0.0%	0.0%	
Reserves										
Surplus/(Deficit)	2,165	26,911	17,291	35,655	32,690	32,690	63,760	49,760	47,001	
Free Services										
Free Basic Services as a % of Equitable Share	2.7%	2.7%	26.5%	27.1%	27.1%	27.1%	27.7%	27.3%	28.3%	
Free Services as a % of Operating Revenue (excl operational transfers)	3.1%	2.5%	1.3%	1.6%	1.4%	1.4%	1.4%	1.4%	1.4%	
High Level Outcome of Financial Compliance										
Total Operating Revenue	96,447	83,318	106,169	86,360	100,806	100,806	100,802	106,810	110,379	
Total Operating Expenditure	96,506	104,942	128,456	116,598	129,254	129,254	125,740	132,220	136,372	
Surplus/(Deficit) Budgeted Operating Statement	(26,061)	(21,624)	(22,270)	(28,319)	(28,448)	(28,448)	(24,944)	(25,410)	(25,993)	
Surplus/(Deficit) Considering Reserves and Cash Backing	(25,893)	4,366	(5,009)	7,366	4,442	4,442	38,816	24,348	21,008	
MTREF Funded (1) / Unfunded (0)	0	1	0	1	1	1	1	1	1	
MTREF Funded ✓ / Unfunded ✗	✗	✓	✗	✓	✓	✓	✓	✓	✓	

the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/2015 MTREF the indicative outcome is a surplus of R42,197 million, R44,983 million and R33,022 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 2.4 8.9 and declines .2 per cent for the respective financial year of the 2014/2015 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5 per cent, with the increase in electricity at 11 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 97.4, 97.2 and 97.2 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.1, 4.0 and 4.0 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 43 MBRR SA34b on page 117.

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2.7 Expenditure on grants and reconciliations of unspent funds

Table 31 MBRR SA19 - Expenditure on transfers and grant programmes

NC072 Umsobomvu - Supporting Table SA19 Expenditure on transfers and grant programmes									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	25,797	26,335	31,819	34,402	34,152	34,152	35,973	38,389	39,417
Equitable share	23,637	26,095	29,319	30,684	30,684	30,684	32,382	34,906	35,718
FINANCE MANAGEMENT	1,215	1,450	1,500	1,650	1,650	1,850	1,800	1,950	2,100
#REF!	—	—	—	—	—	—	—	—	—
#REF!	—	—	—	—	—	—	—	—	—
MSIG	750	790	800	890	890	890	934	967	1,018
MIG ADMIN - PMU	—	—	—	678	678	678	657	586	581
Energy Efficiency and Demand Management	105	—	—	500	250	250	—	—	—
SUBSIDY STATE	—	—	—	—	—	—	—	—	—
Other transfers and grants [Insert description]	—	—	—	—	—	—	—	—	—
Provincial Government:	399	522	715	715	708	708	991	1,885	1,957
DEPT ART & CULTURE (LIBRARY)	399	522	715	715	708	708	991	1,885	1,957
YOUTH PROGRAMS	—	—	—	—	—	—	—	—	—
IMMUNISATION GRANT	—	—	—	—	—	—	—	—	—
Other transfers and grants [Insert description]	—	—	—	—	—	—	—	—	—
District Municipality:	—	—	—	—	—	—	—	—	—
DISTRICT MUNICIPALITY	—	—	—	—	—	—	—	—	—
Other grant providers:	—	—	—	—	3,800	3,800	—	—	—
IEC INFRASTRUCTURE	—	—	—	—	3,800	3,800	—	—	—
Total operating expenditure of Transfers and Grants	26,066	28,867	32,334	35,117	38,460	38,460	36,884	40,074	41,374
Capital expenditure of Transfers and Grants									
National Government:	1,520	45,492	53,536	56,973	47,473	47,473	43,091	45,753	32,043
RBG - DWAF	—	37,869	26,263	35,000	31,000	31,000	30,000	30,000	18,000
HOUSING PROJECTS	1,620	1,664	—	—	—	—	—	—	—
EEDG	—	59	11,440	4,500	—	—	—	—	—
MIG - CAPITAL	—	3,584	12,254	12,873	12,873	12,873	10,591	10,753	11,043
INEP	—	—	2,895	1,000	2,600	2,600	1,500	5,000	3,000
EPWP	—	2,316	684	2,600	1,000	1,000	1,000	—	—
Provincial Government:	2,804	298	—	2,500	—	—	—	—	—
EPWP	—	—	—	2,500	—	—	—	—	—
DEPT OF SAFETY	2,804	298	—	—	—	—	—	—	—
District Municipality:	—	—	—	—	—	—	—	—	—
DISTRICT MUNICIPALITY	—	—	—	—	—	—	—	—	—
Other grant providers:	—	—	—	—	2,600	2,600	—	—	—
Kgotso Pula Nela	—	—	—	—	2,600	2,600	—	—	—
Total capital expenditure of Transfers and Grants	4,424	45,790	53,536	58,473	50,073	50,073	43,091	45,753	32,043
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	30,490	74,647	85,870	93,590	88,533	88,533	79,975	85,827	73,417

NC072 Umsobomvu - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	-	-	-	-	4,493	4,493			
Current year receipts	25,707	28,335	-	34,402	34,402	34,402	35,673	38,389	39,417
Conditions met - transferred to revenue	25,707	28,335	-	34,402	38,895	38,895	35,673	38,389	39,417
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Provincial Government:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	359	522	15,990	715	708	708	991	1,685	1,957
Conditions met - transferred to revenue	359	522	15,990	715	708	708	991	1,685	1,957
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
District Municipality:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	-	-	-	-	-	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Other grant providers:									
Balance unspent at beginning of the year	-	-	-	-	720	720			
Current year receipts	-	-	-	-	3,600	3,600			
Conditions met - transferred to revenue	-	-	-	-	4,320	4,320			
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Total operating transfers and grants revenue	26,066	28,857	15,990	35,117	43,923	43,923	36,664	40,074	41,374
Total operating transfers and grants - CTBM	-	-	-	-	-	-	-	-	-
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	-	-	-	-	8,012	8,012			
Current year receipts	1,620	45,492	8,012	55,973	51,373	51,373	43,091	45,753	32,043
Conditions met - transferred to revenue	1,620	45,492	8,012	55,973	59,385	59,385	43,091	45,753	32,043
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Provincial Government:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	2,804	298	-	2,500	-	-			
Conditions met - transferred to revenue	2,804	298	-	2,500	-	-			
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
District Municipality:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	-	-	-	-	-	-			
Conditions met - transferred to revenue	-	-	-	-	-	-			
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Other grant providers:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	-	-	-	-	2,600	2,600			
Conditions met - transferred to revenue	-	-	-	-	2,600	2,600			
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-	-
Total capital transfers and grants revenue	4,424	45,790	8,012	58,473	61,985	61,985	43,091	45,753	32,043
Total capital transfers and grants - CTBM	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	30,490	74,647	24,002	93,589	105,907	105,907	79,755	85,827	73,417
TOTAL TRANSFERS AND GRANTS - CTBM	-	-	-	-	-	-	-	-	-

Umsobomvu Municipality 2014/15 Annual Budget and MTRF

NC072 Umsobomvu - Supporting Table SA22 Summary councillor and staff benefits									
Summary of Employee and Councillor remuneration									
R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Actuals Outcomes A	Actuals Outcomes B	Actuals Outcomes C	Original Budget D	Revised Budget E	Full Year Forecast F	Mid-Year 2014/15 G	Budget Year 2014/15 H	Budget Year 2015/16 I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	1,080	1,472	2,004	2,404	2,404	2,404	2,404	0,000	0,340
Pension and UIF Contributions	—	—	—	—	—	—	—	—	—
Medical Aid Contributions	410	217	207	200	200	200	200	—	—
Motor Vehicle Allowance	126	124	137	140	140	140	140	—	—
Cellphone Allowance	—	—	—	—	—	—	—	—	—
Housing Allowance	—	—	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—	—	—
Sub Total - Councillors	2,616	2,813	2,448	3,004	3,084	3,084	3,044	0,000	0,340
% Increase		0,6%	0,1%	12,7%	0,3%		(0,1%)	0,0%	0,0%
Senior Managers of the Municipality									
Basic Salaries and Wages	2,188	—	2,108	2,727	2,727	2,727	2,684	0,000	0,007
Pension and UIF Contributions	—	—	—	—	—	—	—	—	—
Medical Aid Contributions	—	—	—	—	—	—	—	—	—
Performance Bonus	180	—	270	301	301	301	300	—	122
Motor Vehicle Allowance	482	—	372	422	422	422	401	—	470
Cellphone Allowance	—	—	—	30	30	30	11	—	10
Housing Allowance	—	—	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—	—	—
Payments in lieu of leave	—	—	—	—	—	—	—	—	—
Long service awards	—	—	—	—	—	—	—	—	—
Post-employment benefit obligations	—	—	—	—	—	—	—	—	—
Sub Total - Senior Managers of Municipality	2,750	—	2,750	3,280	3,480	3,480	3,496	0,000	0,609
% Increase		(100,0%)	0,0%	18,7%	(2,0%)		0,0%	0,0%	0,1%
Other Municipal Staff									
Basic Salaries and Wages	14,414	21,441	21,200	23,822	19,112	19,112	22,808	20,343	27,832
Pension and UIF Contributions	2,048	2,745	3,000	3,780	3,022	3,022	4,402	4,402	6,331
Medical Aid Contributions	403	403	411	424	424	424	424	424	424
Performance Bonus	100	—	—	—	—	—	—	—	—
Motor Vehicle Allowance	431	472	724	801	801	801	801	801	1,200
Cellphone Allowance	—	—	—	—	—	—	—	—	—
Housing Allowance	—	—	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—	—	—
Payments in lieu of leave	—	—	—	—	—	—	—	—	—
Long service awards	—	—	—	—	—	—	—	—	—
Post-employment benefit obligations	—	—	—	—	—	—	—	—	—
Sub Total - Other Municipal Staff	17,096	24,661	25,335	31,026	26,359	26,359	32,435	29,970	36,787
% Increase		42,5%	10,4%	8,3%	(16,3%)		24,6%	10,0%	36,0%
Total Parent Municipality	27,466	27,474	28,483	37,410	32,923	32,923	38,979	30,970	47,736
% Increase		0,0%	3,7%	18,7%	(16,3%)		24,6%	10,0%	36,0%
Board Members of Entities									
Basic Salaries and Wages	—	—	—	—	—	—	—	—	—
Pension and UIF Contributions	—	—	—	—	—	—	—	—	—
Medical Aid Contributions	—	—	—	—	—	—	—	—	—
Performance Bonus	—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance	—	—	—	—	—	—	—	—	—
Cellphone Allowance	—	—	—	—	—	—	—	—	—
Housing Allowance	—	—	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—	—	—
Payments in lieu of leave	—	—	—	—	—	—	—	—	—
Long service awards	—	—	—	—	—	—	—	—	—
Post-employment benefit obligations	—	—	—	—	—	—	—	—	—
Sub Total - Board Members of Entities	—	—	—	—	—	—	—	—	—
% Increase									
Other Staff of Entities									
Basic Salaries and Wages	—	—	—	—	—	—	—	—	—
Pension and UIF Contributions	—	—	—	—	—	—	—	—	—
Medical Aid Contributions	—	—	—	—	—	—	—	—	—
Performance Bonus	—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance	—	—	—	—	—	—	—	—	—
Cellphone Allowance	—	—	—	—	—	—	—	—	—
Housing Allowance	—	—	—	—	—	—	—	—	—
Other benefits and allowances	—	—	—	—	—	—	—	—	—
Payments in lieu of leave	—	—	—	—	—	—	—	—	—
Long service awards	—	—	—	—	—	—	—	—	—
Post-employment benefit obligations	—	—	—	—	—	—	—	—	—
Sub Total - Other Staff of Entities	—	—	—	—	—	—	—	—	—
% Increase									
Total Municipal Entities	—	—	—	—	—	—	—	—	—
% Increase									
TOTAL SALARY, ALLOWANCES & BENEFITS	27,466	27,474	28,483	37,410	32,923	32,923	38,979	30,970	47,736
% Increase		0,0%	3,7%	18,7%	(16,3%)		24,6%	10,0%	36,0%
TOTAL PAYABLE	27,466	27,474	28,483	37,410	32,923	32,923	38,979	30,970	47,736

Table 35 MBRR SA24 – Summary of personnel numbers

NC072 Umsobomvu - Supporting Table SA24 Summary of personnel numbers									
Summary of Personnel Numbers Number	2012/13			Current Year 2013/14			Budget Year 2014/15		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	10	—	10	10	—	10	10	—	10
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	4	—	4	4	—	4	4	—	4
Other Managers	5	4	1	5	4	1	8	5	1
Professionals	137	131	6	150	144	6	150	144	6
Finance	32	27	5	34	29	5	34	29	5
Spatial/town planning	1	1	—	1	1	—	1	1	—
Information Technology	—	—	—	—	—	—	—	—	—
Roads	37	37	—	41	41	—	44	43	1
Electricity	7	7	—	7	7	—	7	7	—
Water	19	18	1	20	19	1	22	22	—
Sanitation	15	15	—	20	20	—	15	15	—
Refuse	26	26	—	27	27	—	27	27	—
Other	—	—	—	—	—	—	—	—	—
Technicians	2	—	2	2	—	2	3	—	3
Finance	—	—	—	—	—	—	—	—	—
Spatial/town planning	—	—	—	—	—	—	—	—	—
Information Technology	—	—	—	—	—	—	—	—	—
Roads	1	—	1	1	—	1	1	—	1
Electricity	—	—	—	—	—	—	—	—	—
Water	1	—	1	1	—	1	2	—	2
Sanitation	—	—	—	—	—	—	—	—	—
Refuse	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Clerks (Clerical and administrative)	64	53	11	64	53	11	65	55	10
Service and sales workers	—	—	—	—	—	—	—	—	—
Skilled agricultural and fishery workers	—	—	—	—	—	—	—	—	—
Craft and related trades	—	—	—	—	—	—	—	—	—
Plant and Machine Operators	—	—	—	—	—	—	—	—	—
Elementary Occupations	—	—	—	—	—	—	—	—	—
TOTAL PERSONNEL NUMBERS	222	188	34	235	201	34	238	204	34
% Increase				5.9%	6.9%	—	1.3%	1.5%	—
Total municipal employees headcount				201	179	22	198	18	180
Finance personnel headcount	31	25	6	30	25	5	34	31	3
Human Resources personnel headcount	2	2	—	2	2	—	2	2	—

Table 37 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC072 Umsobomvu - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)															
Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand															
Revenue by Vote															
Vote 1 - EXECUTIVE & COUNCIL	12,937		-		2,832	-			15,928			685	32,382	34,908	35,718
Vote 2 - FINANCE & ADMIN	3,608	1,763	834	642	661	695	742	729	716	703	690	779	12,763	13,283	14,240
Vote 3 - COMMUNITY SERVICES	220	221	219	222	935	217	220	221	219	222	227	6,092	9,194	10,357	11,126
Vote 4 - TECHNICAL SERVICES	18,016	6,448	8,187	11,645	7,083	4,172	4,172	7,969	9,501	6,866	4,351	1,443	90,052	95,788	85,711
Vote 5 - [NAME OF VOTE 5]													-	-	-
Vote 6 - [NAME OF VOTE 6]													-	-	-
Vote 7 - [NAME OF VOTE 7]													-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-
Total Revenue by Vote	34,781	8,432	9,240	12,709	11,512	5,284	5,134	8,919	26,364	7,791	6,269	8,658	144,391	154,335	146,784
Expenditure by Vote to be appropriated															
Vote 1 - EXECUTIVE & COUNCIL												19,628	10,628	20,761	21,967
Vote 2 - FINANCE & ADMIN												26,487	26,487	27,699	28,229
Vote 3 - COMMUNITY SERVICES												13,573	13,573	15,129	16,324
Vote 4 - TECHNICAL SERVICES												66,341	66,341	69,608	73,101
Vote 5 - [NAME OF VOTE 5]												-	-	-	-
Vote 6 - [NAME OF VOTE 6]												-	-	-	-
Vote 7 - [NAME OF VOTE 7]												-	-	-	-
Vote 8 - [NAME OF VOTE 8]												-	-	-	-
Vote 9 - [NAME OF VOTE 9]												-	-	-	-
Vote 10 - [NAME OF VOTE 10]												-	-	-	-
Vote 11 - [NAME OF VOTE 11]												-	-	-	-
Vote 12 - [NAME OF VOTE 12]												-	-	-	-
Vote 13 - [NAME OF VOTE 13]												-	-	-	-
Vote 14 - [NAME OF VOTE 14]												-	-	-	-
Vote 15 - [NAME OF VOTE 15]												-	-	-	-
Total Expenditure by Vote	-	-	-	-	-	-	-	-	-	-	-	126,028	126,029	133,197	137,621
Surplus/(Deficit) before assoc.	34,781	8,432	9,240	12,709	11,512	5,284	5,134	8,919	26,364	7,791	5,269	(117,070)	18,363	21,137	9,173
Taxation												-	-	-	-
Attributable to minorities												-	-	-	-
Share of surplus/ (deficit) of associate												-	-	-	-
Surplus/(Deficit)	34,781	8,432	9,240	12,709	11,512	5,284	5,134	8,919	26,364	7,791	5,269	(117,070)	18,363	21,137	9,173

Umsobomvu Municipality 2014/15 Annual Budget and MTREF

NC072 Umsobomvu - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard															
<i>Governance and administration</i>	16,564	1,763	634	642	3,493	895	742	729	16,644	703	690	1,047	44,747	47,767	49,510
Executive and council	12,937	—	—	—	2,832	—	—	—	15,928	—	—	—	688	32,362	34,906
Budget and treasury office	3,608	1,763	634	642	661	895	742	729	716	703	690	361	12,345	12,640	13,770
Corporate services	19	—	—	—	—	—	—	—	—	—	—	0	19	20	21
<i>Community and public safety</i>	190	190	190	190	190	190	190	190	190	190	190	1,602	3,697	4,536	4,948
Community and social services	—	—	—	—	—	—	—	—	—	—	—	1,414	1,414	2,133	2,432
Sport and recreation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public safety	190	190	190	190	190	190	190	190	190	180	190	188	2,283	2,397	2,517
Housing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	1,005	5	5	5	5	5	5	6	5	5	5	5	1,080	60	60
Planning and development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Road transport	1,005	5	5	5	5	5	5	5	5	5	5	5	1,080	60	60
Environmental protection	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>	18,016	4,477	7,443	14,845	7,043	4,172	6,142	7,969	9,501	6,866	4,010	4,363	94,686	101,877	92,275
Electricity	3,000	3,000	2,500	1,626	4,664	2,064	2,064	2,064	2,064	2,084	2,064	2,656	29,631	35,315	35,659
Water	13,938	400	3,895	12,142	1,342	1,030	3,001	4,827	6,380	3,724	889	0	51,499	52,281	41,363
Waste water management	818	618	618	618	618	618	618	618	618	618	618	862	7,682	8,122	8,609
Waste management	459	459	459	459	459	459	459	459	459	459	459	645	5,836	6,250	6,625
<i>Other</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue - Standard	35,776	6,436	8,472	15,682	10,772	5,262	7,089	8,893	26,341	7,764	4,896	7,017	144,391	154,385	146,794
Expenditure - Standard															
<i>Governance and administration</i>	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	44,488	46,704	46,299
Executive and council	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	19,028	20,761	21,667
Budget and treasury office	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	19,315	19,923	17,793
Corporate services	462	462	462	462	462	462	462	462	462	462	462	462	5,544	6,020	6,539
<i>Community and public safety</i>	739	715	715	715	715	715	715	715	715	715	715	874	6,864	10,203	11,177
Community and social services	379	355	355	355	355	355	355	355	355	355	355	614	4,543	5,546	6,160
Sport and recreation	111	111	111	111	111	111	111	111	111	111	111	111	1,334	1,401	1,506
Public safety	209	209	209	209	209	209	209	209	209	209	209	209	2,511	2,693	2,893
Housing	39	39	39	39	39	39	39	39	39	39	39	39	473	500	528
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	928	928	928	928	928	928	928	928	928	928	928	928	11,111	11,337	11,876
Planning and development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Road transport	928	928	928	928	928	928	928	928	928	928	928	928	11,111	11,337	11,876
Environmental protection	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	5,131	61,566	64,953	68,289
Electricity	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	24,705	26,411	26,232
Water	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	21,289	21,871	22,497
Waste water management	770	770	770	770	770	770	770	770	770	770	770	770	9,236	9,989	10,467
Waste management	528	528	528	528	528	528	528	528	528	528	528	528	6,536	6,682	7,044
<i>Other</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure - Standard	10,502	10,479	10,479	10,479	10,479	10,479	10,479	10,479	10,479	10,479	10,479	10,738	126,029	133,197	137,621
Surplus/(Deficit) before assoc.	25,273	(4,043)	(2,007)	5,204	294	(5,217)	(3,399)	(1,585)	15,862	(2,715)	(5,583)	(3,721)	18,363	21,137	9,173
Share of surplus/(deficit) of associate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	25,273	(4,043)	(2,007)	5,204	294	(5,217)	(3,399)	(1,585)	15,862	(2,715)	(5,583)	(3,721)	18,363	21,137	9,173

May 2014

Table 40 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC072 Umsobomvu - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)															
Description	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard															
<i>Governance and administration</i>	-	-	-	-	-	-	-	500	500	550	-	-	1,550	-	-
Executive and council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	500	500	550	-	-	1,550	-	-
Corporate services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	-	-	-	-	-	-	-	-	-	-	-	6,000	6,000	5,000	-
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	-	-	6,000	6,000	5,000	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000	40,000	32,000
Electricity	125	125	125	125	125	125	125	125	125	125	125	125	1,500	5,000	3,000
Water	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	2,625	31,500	35,000	29,000
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	2,750	2,750	2,750	2,750	2,750	2,750	2,750	3,250	3,250	3,300	2,750	8,750	40,550	45,000	32,000
Funded by:															
National Government	3,250	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	4,083	39,000	45,000	32,000
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	3,250	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	4,083	39,000	45,000	32,000
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest generated funds	-	-	-	-	-	-	-	-	500	500	550	-	1,550	-	-
Total Capital Funding	3,250	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,667	3,667	3,717	4,083	40,550	45,000	32,000

2.10 Annual budgets and SDBIPs – internal departments

The SDBIP is attached

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 43 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

NC072 Umsobomvu - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	-	-	5,000	8,000	-	-	-	-	-
Infrastructure - Road transport	-	-	-	3,500	-	-	-	-	-
Roads, Pavements & Bridges	-	-	-	3,500	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	5,000	4,500	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	5,000	4,500	-	-	-	-	-
Total Capital Expenditure on renewal of existing	-	-	5,000	8,000	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-
Refuse	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets as % of total capex	0.0%	0.0%	10.1%	11.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprech"	0.0%	0.0%	17.8%	29.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 6 MBRR SA34d – Depreciation by asset class

NC072 Umsobomvu - Supporting Table SA34d Depreciation by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Depreciation by Asset Class/Sub-class									
Infrastructure	24,682	25,999	25,453	18,570	18,591	18,591	18,576	18,576	18,576
Infrastructure - Road transport	6,398	7,707	7,544	-	-	-	-	-	-
Roads, Pavements & Bridges	6,398	7,707	7,544	-	-	-	-	-	-
Storm water									
Infrastructure - Electricity	2,842	2,844	2,784	2,785	2,785	2,785	2,785	2,785	2,785
Generation				-	-	-	-	-	-
Transmission & Reticulation	2,842	2,844	2,784	2,785	2,785	2,785	2,785	2,785	2,785
Street Lighting				-	-	-	-	-	-
Infrastructure - Water	12,611	12,617	12,352	12,351	12,351	12,351	12,351	12,351	12,351
Dams & Reservoirs									
Water purification									
Reticulation	12,611	12,617	12,352	12,351	12,351	12,351	12,351	12,351	12,351
Infrastructure - Sanitation	2,551	2,552	2,496	2,824	2,843	2,843	2,828	2,828	2,828
Reticulation	2,551	2,552	2,496	2,824	2,843	2,843	2,828	2,828	2,828
Sewerage purification									
Infrastructure - Other	280	280	274	610	612	612	612	612	612
Waste Management	280	280	274	610	612	612	612	612	612
Community	553	554	542	3,800	3,800	3,800	2	3	3
Cemeteries	553	554	542	3,800	3,800	3,800	2	3	3
Social rental housing				-	-	-	-	-	-
Other				-	-	-	-	-	-
Other assets	1,392	1,393	1,363	5,217	5,179	5,179	5,256	5,267	5,271
General vehicles	543	543	532	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	152	153	149						
Computers - hardware/equipment	142	142	139						
Furniture and other office equipment	48	48	47						
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings	237	237	232	4,340	4,302	4,302	4,379	4,390	4,394
Other Land	269	269	264		-	-			
Surplus Assets - (Investment or Inventory)					-	-			
Other	1	1	1	877	877	877	877	877	877
Intangibles	93	93	91	-	-	-	-	-	-
Computers - software & programming	93	93	91						
Other (list sub-class)									
Total Depreciation	26,721	28,039	27,449	27,587	27,570	27,570	23,834	23,846	23,849
Specialised vehicles	-	-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									

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Table 45 MBRR SA36 - Detailed capital budget per municipal vote

NC872 Umsobomvu - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project Information	
R thousand									Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Field location	How or renewed
Parent municipality:															
List of capital projects grouped by Municipal Vote															
Various															
Electricity -	Electrification	EL 22.1	f	Yes	Infrastructure - Electricity	Reticulation	30 42 00'S - 25 07 10'E		3,300	2,600	1,500	5,000	3,000		
Electricity -	Energy Demand	E1.3	f	Yes	Infrastructure - Electricity	Transmission & Reticulation			5,000	4,500					
Water	Bulk Water m	W1.3	c	Yes	Infrastructure - Water	Water purification	31 21 00'E - 24 56 00"		25,500	24,750	1,500				
Water	Abstraction C	WS1.3	c	Yes	Infrastructure - Water	Water purification			3,000	13,875					
Sanitation	Upgrading of	W1	c	Yes	Infrastructure - Sanitation	Sewerage purification			6,275	-					
Water	Noupoort Bulk	wb1.4	c	Yes	Infrastructure - Water	Water purification			1,500	19,242	30,000	25,000			
Water	Upgrading of	WB 1.3.4	f	Yes	Infrastructure - Water	Water purification						10,000	28,000		
Roads	Stormwater d	RS1	a	Yes	Infrastructure - Road transport	Storm water			1,000	1,000					
Roads Noupoort	Roads Water	RS3	a	Yes	Infrastructure - Road transport	Roads Pavements & Bridges			2,500	3,500	1,000				
Roads	Ring Road K	PW1.1	2	Yes	Infrastructure - Road transport	Roads Pavements & Bridges					5,000	5,000			
Solar Geyser Project	Electricity	el	f	Yes	Other	Other			15,000						
Bulk Water to be specified	Bulk Water		c	Yes	Infrastructure - Water	Dams & Reservoirs									
Solid Waste	2 New Refuse	RPPE1.1		Yes	Infrastructure - Other	Specialised vehicles - Refuse			1,972						
Sanitation	Vacuum Tractor	SPPE1.1		Yes	Infrastructure - Sanitation	General vehicles			1,958						
Pedic Roads	Compactor	PNPPE1.2		Yes	Other Assets	Plant & equipment			444						
Housing	100 Houses f	1.2		Yes	Other	Other			131						
Finance	Municipal Fin	F1 IT1		Yes	Intangibles	Computers - software & programming					1,550				
Parent Capital expenditure									67,579	68,467	40,550	45,000	32,000		
Total Capital expenditure									67,579	68,467	40,550	45,000	32,000		

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five Interns undergoing training in various divisions of the Financial Services Department. Of the five interns 3 has been appointed permanently from May 2011. The remaining four have completed their two year contract on 5 August 2012, and extension for one year has been granted by National Treasury.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/2015 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.1.4 Other supporting documents

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Umsobomvu Municipality 2014/15 Annual Budget and MTREF

EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	16,884	20,243	21,286	20,059	22,539	22,539	25,968	28,033	31,230
Pension and UIF Contributions	2,708	2,934	3,038	4,020	4,117	4,117	4,492	1,893	5,351
Medical Aid Contributions	540	481	611	624	752	752	758	628	604
Overtime	653	753	1,226	627	959	959	1,000	1,150	1,245
Performance Bonus	—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance	603	572	724	367	362	362	401	437	476
Cellphone Allowance	—	—	—	—	—	—	—	—	—
Housing Allowances	96	48	45	16	10	10	11	12	13
Other benefits and allowances	303	406	571	440	445	445	474	515	561
Payments in lieu of leave	1,915	1,432	1,397	1,926	8,045	8,045	8,852	8,066	8,625
Long service awards	—	—	—	—	—	—	—	—	—
Postretirement benefit obligations	868	339	1,356	—	341	—	341	341	341
sub-total	26,041	27,209	30,143	34,620	34,610	34,610	39,057	42,876	46,730
Less: Employees costs capitalised to PPE									
Total Employee related costs	26,041	27,209	30,143	34,620	34,610	34,610	39,057	42,876	46,730
Contributions recognised - capital									
<i>List contributions by contract</i>									
Total Contributions recognised - capital	—	—	—	—	—	—	—	—	—
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	26,721	28,039	26,037	27,567	27,566	27,566	23,834	23,846	23,846
Lease amortisation	—	—	—	—	—	—	—	—	—
Capital asset impairment	—	—	—	—	—	—	—	—	—
Depreciation resulting from revaluation of PPE	—	—	—	—	—	—	—	—	—
Total Depreciation & asset impairment	26,721	28,039	26,037	27,567	27,566	27,566	23,834	23,846	23,846
Bulk purchases									
Electricity Bulk Purchases	10,611	13,845	15,538	16,726	17,310	17,310	16,360	19,626	21,415
Water Bulk Purchases	200	295	218	—	—	—	310	310	310
Total bulk purchases	11,011	14,141	15,756	16,726	17,310	17,310	16,670	19,936	21,725
Transfers and grants									
Cash transfers and grants	—	—	—	—	—	—	—	—	—
Non-cash transfers and grants	—	—	—	—	—	—	—	—	—
Total transfers and grants	—	—	—	—	—	—	—	—	—
Contracted services									
ALLOCATIONS TO ORGANS OF STATE									
IT SERVICES	4,405	3,590	2,485	672	672	672	4,562	4,772	3,617
JOB CREATION	—	—	—	—	—	—	—	—	—
LEGAL SERVICES	—	—	—	—	—	—	—	—	—
METER READING	—	—	—	—	—	—	—	—	—
PRE-PAID WINDING MANAGEMENT	—	—	—	—	—	—	—	—	—
PROFESSIONAL FEES	—	—	—	—	—	—	—	—	—
SECURITY SERVICES	—	—	—	—	—	—	—	—	—
SEWERAGE PURIFICATION	—	—	—	—	—	—	—	—	—
WATER PURIFICATION	—	—	—	—	—	—	—	—	—
OTHER CONTRACTED SERVICES	—	—	—	—	—	—	—	—	—
sub-total	4,405	3,590	2,485	672	672	672	4,562	4,772	3,617
Allocations to organs of state:									
Electricity	—	—	—	—	—	—	—	—	—
Water	—	—	—	—	—	—	—	—	—
Sanitation	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total contracted services	4,405	3,590	2,485	672	672	672	4,562	4,772	3,617

Umsobomvu Municipality 2014/15 Annual Budget and MTREF

NC072 Umsobomvu - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Vote 1 - EXECUTIVE & COUNCIL	Vote 2 - FINANCE & ADMIN	Vote 3 - COMMUNITY SERVICES	Vote 4 - TECHNICAL SERVICES	Vote 5 - [NAME OF VOTE 5]	Vote 6 - [NAME OF VOTE 6]	Vote 7 - [NAME OF VOTE 7]	Vote 8 - [NAME OF VOTE 8]	Vote 9 - [NAME OF VOTE 9]	Vote 10 - [NAME OF VOTE 10]	Vote 11 - [NAME OF VOTE 11]	Vote 12 - [NAME OF VOTE 12]	Vote 13 - [NAME OF VOTE 13]	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
R thousand																
Revenue By Source																
Property rates		5,031														5,031
Property rates - penalties & collection charges		169														169
Service charges - electricity revenue				27,753												27,753
Service charges - water revenue				9,931												9,931
Service charges - sanitation revenue				7,418												7,418
Service charges - refuse revenue				5,726												5,726
Service charges - other																-
Rental of facilities and equipment		368		27												396
Interest earned - external investments		312														312
Interest earned - outstanding debtors		15		1,402												1,417
Dividends received																-
Fines			1,575													1,575
Licences and permits		2	991													993
Agency services			-													-
Other revenue		4,132		33												4,165
Transfers recognised - operational	32,382	2,734	708	557												36,381
Gain on disposal of PPE																-
Total Revenue (excluding capital transfers and)	32,382	12,763	2,398	52,857	-	-	-	-	-	-	-	-	-	-	-	101,301
Expenditure By Type																
Employee related costs	3,775	13,312	5,510	16,450												39,047
Remuneration of councillors	2,945															2,945
Debt impairment	4	623		4,581												5,208
Depreciation & asset impairment	361	526	2	22,555												23,844
Finance charges				298												298
Bulk purchases				18,670												18,670
Other materials																-
Contacted services		4,512	50	-												4,562
Transfers and grants																-
Other expenditure	12,554	7,514	1,675	9,684												31,427
Loss on disposal of PPE				1												1
Total Expenditure	19,628	26,487	7,237	72,677	-	-	-	-	-	-	-	-	-	-	-	126,029
Surplus/(Deficit)	12,754	(13,723)	(5,939)	(19,820)	-	-	-	-	-	-	-	-	-	-	-	(24,725)
Transfers recognised - capital				43,991												43,991
Contributions recognised - capital																-
Contributed assets																-
Surplus/(Deficit) after capital transfers & contributions	12,754	(13,723)	(5,939)	23,271	-	-	-	-	-	-	-	-	-	-	-	18,763

(Handwritten signature)

Detail on the provision of municipal services for A10

Total municipal services	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
		Household service targets (000)									
		Water:									
		Piped water inside dwelling	2,826	2,916	4,339	4,739	4,739	4,739	5,049	5,239	5,239
		Piped water inside yard (not in dwelling)	2,354	2,804	3,104	3,104	3,104	3,104	3,404	3,404	3,404
8		Using public tap (at least min.service level)		227	270	270	270	270	270	270	270
10		Other water supply (at least min.service level)				-	-				
		Minimum Service Level and Above sub-total	5,380	6,007	7,773	8,173	8,173	8,173	8,723	8,973	8,973
9		Using public tap (< min.service level)									
10		Other water supply (< min.service level)									
		No water supply									
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
		Total number of households	5,380	6,007	7,773	8,173	8,173	8,173	8,723	8,973	8,973
		Sanitation/sewerage:									
		Flush toilet (connected to sewerage)	3,826	3,976	7,093	7,449	7,449	7,449	7,699	7,949	7,949
		Flush toilet (with septic tank)	112	112	112	112	112	112	112	112	112
		Chemical toilet									
		Pit toilet (ventilated)	612	612	612	612	612	612	612	612	612
		Other toilet provisions (> min.service level)									
		Minimum Service Level and Above sub-total	4,550	4,700	7,773	8,173	8,173	8,173	8,423	8,673	8,673
		Bucket toilet	1,169	1,169	43	43	43	43	43	46	46
		Other toilet provisions (< min.service level)									
		No toilet provisions									
		Below Minimum Service Level sub-total	1,169	1,169	43	43	43	43	43	46	46
		Total number of households	5,719	5,869	7,816	8,216	8,216	8,216	8,466	8,719	8,719
		Energy:									
		Electricity (at least min.service level)	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822
		Electricity - prepaid (min.service level)	2,792	3,042	4,961	5,361	5,361	5,361	5,691	5,661	5,661
		Minimum Service Level and Above sub-total	5,614	5,864	7,773	8,173	8,173	8,173	8,423	8,673	8,673
		Electricity (< min.service level)									
		Electricity - prepaid (< min. service level)									
		Other energy sources									
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
		Total number of households	5,614	5,864	7,773	8,173	8,173	8,173	8,423	8,673	8,673
		Refuse:									
		Removed at least once a week	5,607	5,857	7,773	8,173	8,173	8,173	8,423	8,673	8,673
		Minimum Service Level and Above sub-total	5,607	5,857	7,773	8,173	8,173	8,173	8,423	8,673	8,673
		Removed less frequently than once a week									
		Using communal refuse dump									
		Using own refuse dump									
		Other rubbish disposal									
		No rubbish disposal									
		Below Minimum Service Level sub-total	-	-	-	-	-	-	-	-	-
		Total number of households	5,607	5,857	7,773	8,173	8,173	8,173	8,423	8,673	8,673

Table 49 MBRR SA32 – List of external mechanisms

None



